

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Dickinson County	County Dickinson
Fiscal Year End 12-31-05	Opinion Date 03-30-06	Date Audit Report Submitted to State 08-23-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

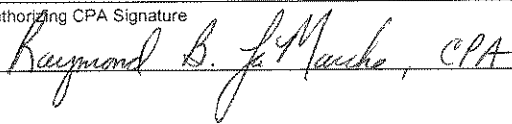
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-786-3111	
Street Address 901 Ludington Street		City Escanaba	State MI
		Zip 49829	
Authorizing CPA Signature 		Printed Name Raymond B. LaMarche	
		License Number 1101025531	

COUNTY OF DICKINSON, MICHIGAN
BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005

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ANDERSON, TACKMAN & COMPANY, PLC

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
County of Dickinson
Iron Mountain, Michigan 49801

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Dickinson, Michigan as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Dickinson's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Dickinson County Library and Library Trust, Dickinson County Road Commission and the Dickinson County Healthcare System. The Dickinson County Library and Library Trust are blended in with the County of Dickinson's basic financial statements and represent 9.0%, 4.3%, 7.6%, respectively, of the assets, net assets and revenues of the governmental activities. The Dickinson County Road Commission and the Dickinson County Healthcare System represent 100 percent of the assets, net assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been provided to us, and our opinion, insofar as it relates to the amounts included for the Dickinson County Library and Library Trust, Dickinson County Road Commission and the Dickinson County Healthcare System, is based on the reports of the other auditors.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Dickinson, Michigan as of December 31, 2005, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2006, on our consideration of the County of Dickinson, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information on pages 3 through 13 and 72 through 77 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Dickinson's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company P.L.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

March 30, 2006

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Dickinson County's financial performance provides an overview of the County's financial activities for the fiscal year ending December 31, 2005. Please read it in conjunction with the County's financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- Net assets for the County were reported at \$20,252,472 for 2005, compared to \$19,138,976 for 2004, an increase of 5.8%. For 2005, net assets for our business-type activities were \$118,934, less than 1% of total net assets, while net assets in our governmental activities were \$20,133,538 or 99% of total net assets.
- The County's expenses for 2005 totaled \$11,369,677 and in 2004 totaled \$10,593,751, representing an increase of \$775,926. Revenues from all sources totaled \$12,483,174 in 2005 and \$11,441,962 in 2004, leaving an increase of \$1,113,496 and \$848,211, respectively.
- The General Fund reported an increase in fund balance of \$207,947 in 2005 and a decrease in fund balance of \$152,549 in 2004. This was after revenues of \$7,243,465 in 2005 compared to \$6,967,177 in 2004, and expenditures of \$6,414,163 in 2005 compared to expenditures of \$6,159,913 in 2004.

USING THIS REPORT

This annual report consist of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 14, 15 and 16) provide information about the activities of the County as a whole and present a longer term view of the County's finances. Fund financial statements start on page 17. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of government.

Reporting the County as a whole

Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page 6. One of the most important questions asked about the county's finances; "Is the County as a whole better off or in worse condition as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current years revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the County's *net assets* and changes in them. You can think of the County's net assets as the difference between assets and liabilities as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base to assess the *overall financial health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two categories of activities:

- Governmental activities – Most of the County's basic services are reported here including public safety, judicial system, parks and recreation and general administration. Property taxes, fees/charges for services and state and federal grant funds make up the majority of revenue for these activities.
- Business-type activities – The County charges a fee to customers to help cover all or most of the costs of certain services it provides. The collection of delinquent property taxes make up these activities.

The County also presents two legally separate component units; County Road Commission and the Dickinson County Healthcare System which are reported separately from the financial information of the County. Separately audited financial statements are available for the County Road Commission and the Dickinson County Healthcare System at their administrative offices.

Reporting the County's Most Significant Funds

Fund Financial Statements

Our analysis of the County's Major Funds begins on page 9. The fund financial statements begin on page 17 and provide detailed information on the most significant funds – not the County as a whole. Some funds are required to be established by State law, and by bond covenants. However, the County Board of Commissioners establishes many other funds to help it control and manage money for particular purposes or to show that the Board is meeting legal requirements for certain taxes, grants and other money. The County's two kinds of funds *governmental* and *proprietary* – use different accounting methods.

- *Governmental funds* – Most of the County’s services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the County’s general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the County charges customers for the services it provides – whether to outside customers or to other units of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County’s enterprise funds (a component of proprietary funds) are the same as the business-type activities that we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

The County as a Trustee

The County is the trustee, *or fiduciary*, of tax receipts and other collections, that are collected for other agencies and held for periodic payment to those agencies. The County’s fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 26. We exclude these funds from the County’s other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The County as a Whole

The County's net combined assets grew by \$1,113,496 in 2005.

Table 1
Net Assets

	Governmental Activities 2005	Governmental Activities 2004	Business-Type Activities 2005	Business-Type Activities 2004
Current and other assets	\$ 10,531,482	\$ 11,343,494	\$ 1,260,839	\$ 1,058,949
Capital assets (net)	13,639,511	14,871,329	-	-
Total Assets	<u>24,170,993</u>	<u>26,214,823</u>	<u>1,260,839</u>	<u>1,058,949</u>
Long-term debt outstanding	1,363,047	1,496,879	-	-
Other liabilities	2,674,408	5,687,917	1,141,905	950,000
Total Liabilities	<u>4,037,455</u>	<u>7,184,796</u>	<u>1,141,905</u>	<u>950,000</u>
Net Assets:				
Invested in capital assets, net of related debt	13,188,511	13,359,329	-	-
Restricted assets:				
Expendable	3,369,856	2,305,524	-	-
Unrestricted	3,575,171	3,365,174	118,934	108,949
Total net assets	<u>\$ 20,133,538</u>	<u>\$ 19,030,027</u>	<u>\$ 118,934</u>	<u>\$ 108,949</u>

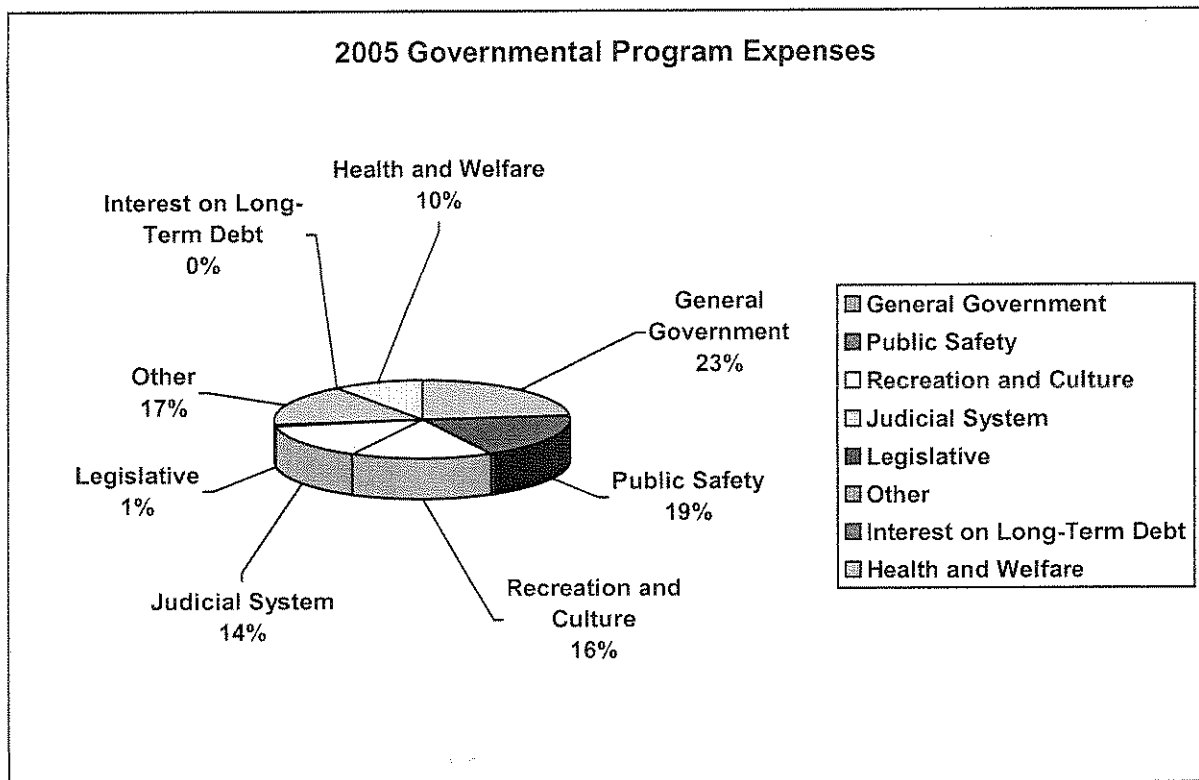
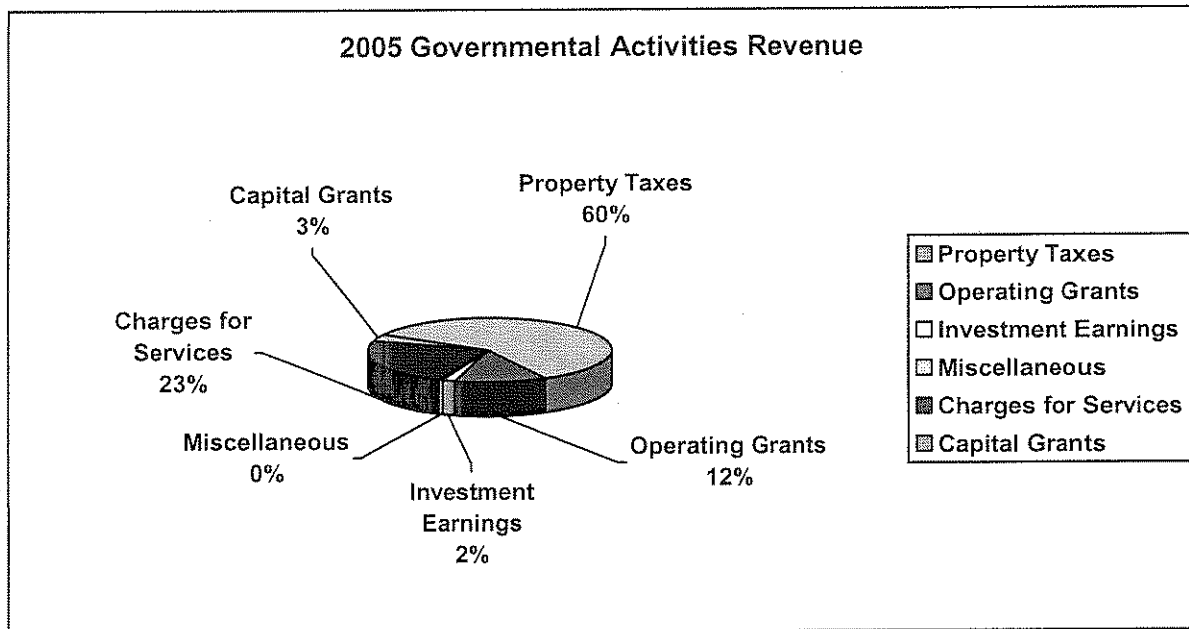
Net assets of the County's governmental activities stood at \$20,133,538, an increase of \$1,103,511 (5.8%). Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$3,575,171 for 2005.

Net assets in our business-type activities stood at \$118,934, up from \$108,949 in 2004 (9.2%). Unrestricted net assets for our business-type activities were \$118,934 and \$108,949 for 2005 and 2004 respectively.

Table 2
Changes in Net Assets

	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities
	2005	2004	2005	2004
Revenues:				
Program Revenues:				
Charges for services	\$ 2,887,330	\$ 2,672,263	\$ 127,436	\$ 139,939
Operating grants	1,504,101	1,508,668	-	-
Capital grants	414,551	14,856	-	-
General Revenues:				
Property taxes	7,262,409	6,778,555	-	-
State revenue sharing	-	163,300	-	-
Grants and contributions not restricted to specific programs	6,140	11,762	-	-
Contribution to permanent fund	873	-	-	-
Unrestricted investment earnings	234,063	111,181	-	-
Miscellaneous	46,270	41,438	-	-
Total Revenues	<u>12,355,737</u>	<u>11,302,023</u>	<u>127,436</u>	<u>139,939</u>
Program Expenses:				
Legislative	87,248	91,696	-	-
Judicial system	1,627,910	1,616,796	-	-
General government	2,673,145	2,425,941	-	-
Public safety	2,134,472	2,169,477	-	-
Health and welfare	1,132,986	857,639	-	-
Recreation and culture	1,789,618	1,698,949	-	-
Other	1,906,989	1,718,394	-	-
Interest on long-term debt	14,309	11,613	-	-
Delinquent tax revolving	-	-	3,000	3,246
Total Expenses	<u>11,366,677</u>	<u>10,590,505</u>	<u>3,000</u>	<u>3,246</u>
Excess (deficiency) before transfers and contributions	989,060	711,518	124,436	136,693
Transfers	<u>114,451</u>	<u>142,648</u>	<u>(114,451)</u>	<u>(142,648)</u>
Increase (decrease) in net assets	1,103,511	854,166	9,985	(5,955)
Net assets - beginning	<u>19,030,027</u>	<u>18,175,861</u>	<u>108,949</u>	<u>114,904</u>
Net assets - ending	<u>\$ 20,133,538</u>	<u>\$ 19,030,027</u>	<u>\$ 118,934</u>	<u>\$ 108,949</u>

Governmental Activities



Governmental Activities

Revenues for the County's governmental activities totaled \$12,470,188 in 2005, compared to \$11,444,671 in 2004, while expenses were \$11,366,677 and \$10,590,505, respectively. The excess of revenue over expense was \$1,103,511 in 2005 and \$854,166 for 2004. The increase in net assets can be attributed to the advanced collection of County property taxes, which was establish to replace State revenue sharing payments for the next several years. Also attributing to the increase was contributions from the state and federal government for capital improvement projects at the airport.

Table three below reflects the cost of each of the County's five largest activities; Public Safety, Judicial System, General Government, Recreation and Culture, and Other, - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

Table 3
Government Activities

	Total Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2005	Net Cost of Services 2004
Public safety	\$ 2,134,472	\$ 2,169,477	\$ 1,193,768	\$ 1,447,265
Judicial system	1,627,910	1,616,796	68,813	47,073
General government	2,673,145	2,425,941	1,481,630	1,712,314
Recreation and culture	1,789,618	1,698,949	947,660	858,023
Other	1,906,989	1,718,394	1,906,989	1,718,394
Totals	<u>\$ 10,132,134</u>	<u>\$ 9,629,557</u>	<u>\$ 5,598,860</u>	<u>\$ 5,783,069</u>

Business-Type Activities

The County's business-type activities net assets totaled \$118,934 in 2005, compared to \$108,949 in 2004, representing an increase of \$9,985.

THE COUNTY'S FUNDS

The focus of the governmental funds of the County is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the County's net resources available for spending at the end of the fiscal year.

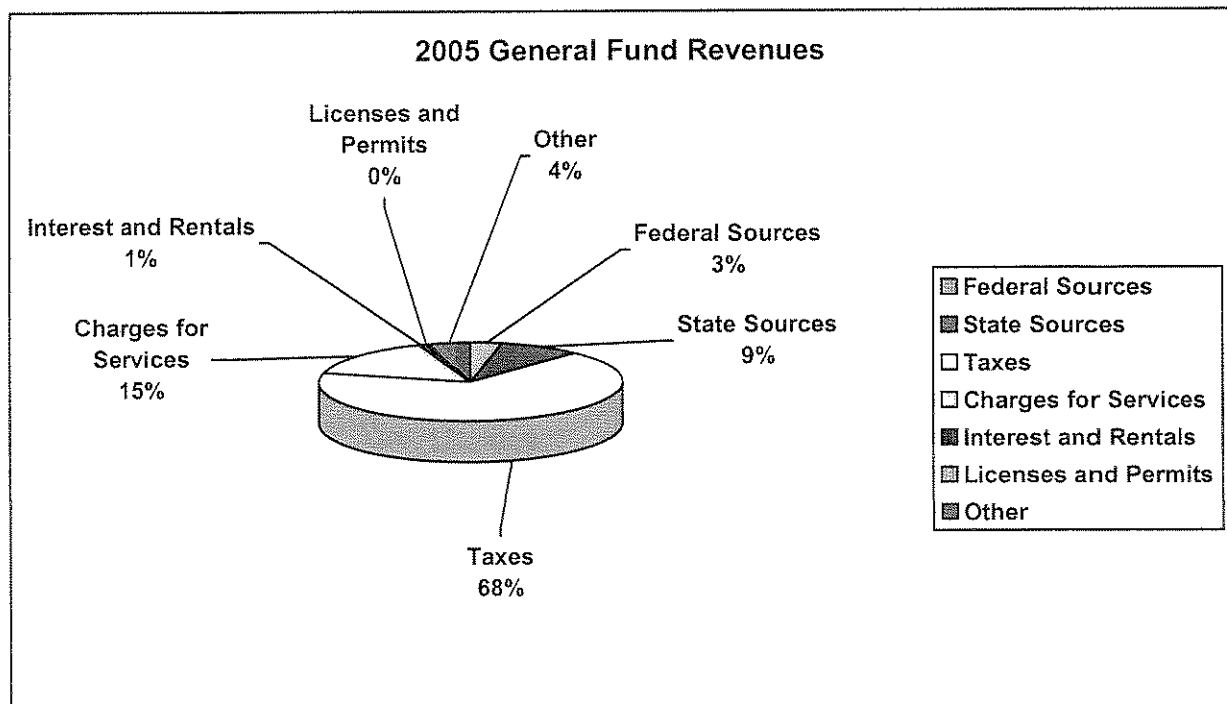
For the current fiscal year the County's governmental funds reported total fund balance of \$7,857,074 for 2005, compared to \$6,605,577 in 2004, representing an increase of \$1,251,497. For 2005, \$1,003,400 was reserved for permanent funds and \$15,066 was reserved for computer purchases and the remaining \$6,838,608 was unreserved. The General Fund unreserved fund balance amounted to \$1,487,158, with \$950,000 designated for long-term advances to the

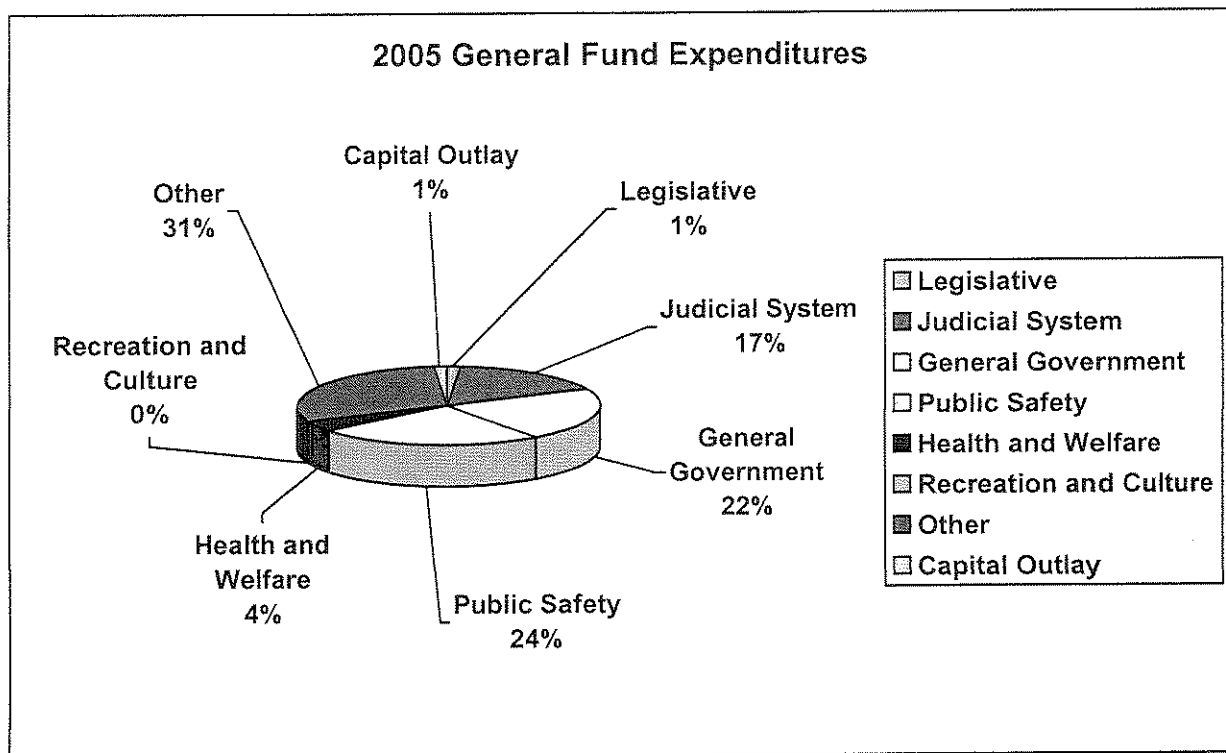
balance amounted to \$1,487,158, with \$950,000 designated for long-term advances to the delinquent tax revolving fund. The General Fund had an increase in fund balance of \$207,947, representing an increase of 16% over the prior year fund balance. The County established the Revenue Sharing Reserve fund in 2004 to account for the activity relating to the collection of one-third of the County's December 2004 tax levy (\$1,490,831) which is required to be placed in this fund for 2004, 2005 and 2006. The purpose of this fund as outline in Public Act 357 of 2004 is to establish a reserve for county governments to replace the former state revenue sharing payments. The Retiree's Medical Care Reserve fund was established for the purpose of accumulating resources to pay future post-employment health insurance costs. Fund balance in the Retiree's Medical Care Reserve fund increased in the current year by \$49,794 which relates to investment earnings on the cash balance in the fund of \$1,640,046 as of December 31, 2005. The Senior Citizens Tax fund accounts for the activity relating to the collection of the senior citizens tax levy and the distribution of those funds. The County Library accounts for the activity relating to the county library operations, which includes the collection of a tax levy for operations as well as other revenue sources. In 2005, fund balance for the Library increased by \$96,848, representing an increase of 18%.

General Fund Budgetary Highlights

Over the course of the year, the budget was amended several times. These amendments were made to recognize changes to revenue or expenditures. The budgeted revenues and transfers in net change from the original budget to the final amended budget were unchanged in 2005. The budgeted expenditures and transfers out of the final amended budget were unchanged in total over the original budget. The original budget projected a balanced budget, while the actual results showed an increase in fund balance of \$207,947. There were no significant changes between the final amended budget and the actual results as reported.

General Fund





CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2005, the County had \$13,639,511, net of accumulated depreciation, invested in a variety of capital assets including machinery and equipment, buildings and improvements, parks, airport infrastructure and land. (See table 4 below)

Table 4
Capital Assets at Year-End
(net of accumulated depreciation)

	Governmental Activities 2005	Governmental Activities 2004
Land	\$ 1,591,783	\$ 1,546,055
Buildings & improvements	5,994,054	6,221,352
Machinery & equipment	849,708	941,512
County Library	728,764	742,884
Infrastructure	4,475,202	4,469,526
Total	<u>\$ 13,639,511</u>	<u>\$ 13,921,329</u>

The most significant increase in additions to capital assets were improvements at the County Airport to improve infrastructure, which was financed in large part by the state and federal government.

DEBT

At year-end the County had \$1,363,047 in long-term debt.

Table 5
Outstanding Debt at Year-End

	Governmental Activities 2005	Governmental Activities 2004
Correction Center Bonds	\$ 310,000	\$ 405,000
Fair Bonds	141,000	157,000
Compensated absences:		
General County	313,176	300,534
County Library	15,093	13,697
Post-retirement benefits - County Library	583,778	620,648
Totals	<u>\$ 1,363,047</u>	<u>\$ 1,496,879</u>

The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The County's outstanding general obligation debt of \$451,000 is well below statutory limits.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County Board of Commissioners and county management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services. One of those factors is the uncertainty of State revenue sharing, the shift in County tax collections to the summer and the establishment of a Revenue Sharing Reserve Fund will impact future cash flows. Other changes in State government financing will affect the way programs and services are provided. The continuing issues with funding on both the State and Federal level present financial challenges outside of the County's control that effect the level of services provided. The economy in the Dickinson County area appears to be flat in relation to job growth or job loss. The cost of living in the Dickinson County area is below the national and State average, but real estate values continue to climb. The growth of other costs continue to rise at the national inflation rate or lower, with the exception of health care costs which continue to be a concern for the County and local employers. These factors were taken into account when adopting the 2006 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the County's finances and to show the County's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the County Administrator at the Dickinson County Courthouse, P.O. 609, Iron Mountain, Michigan, 49801.

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF NET ASSETS
December 31, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,175,169	\$ 740,863	\$ 4,916,032
Investments	565,758	-	565,758
Current portion of restricted cash	-	-	-
Receivables	4,566,217	474,061	5,040,278
Internal balances	255,836	-	255,836
Prepays	18,502	-	18,502
Inventory	-	-	-
Total current assets	<u>9,581,482</u>	<u>1,214,924</u>	<u>10,796,406</u>
Noncurrent assets:			
Cash and investments	-	-	-
Delinquent taxes receivable	-	45,915	45,915
Long-term advances to other funds	950,000	-	950,000
Deferred financing costs	-	-	-
Capital assets, net of accumulated depreciation	13,639,511	-	13,639,511
Total noncurrent assets	<u>14,589,511</u>	<u>45,915</u>	<u>14,635,426</u>
Total assets	<u>\$ 24,170,993</u>	<u>\$ 1,260,839</u>	<u>\$ 25,431,832</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 63,602	\$ -	\$ 63,602
Accrued payroll	84,363	-	84,363
Internal balances	-	191,905	191,905
Accrued interest	-	-	-
Estimated third-party payor settlements	-	-	-
Due to other governmental units	-	-	-
Deferred revenue	2,526,443	-	2,526,443
Other	-	-	-
Long-term liabilities due within one year:			
Compensated absences	78,294	-	78,294
Post-retirement benefits	29,733	-	29,733
Current maturities of long-term debt	116,000	-	116,000
Total current liabilities	<u>2,898,435</u>	<u>191,905</u>	<u>3,090,340</u>
Long-term liabilities:			
Long-term advances from other funds	-	950,000	950,000
Compensated absences	249,975	-	249,975
Post-retirement benefits	554,045	-	554,045
Long-term debt, less current maturities	335,000	-	335,000
Reserve for loss on liability claims	-	-	-
Other	-	-	-
Total long-term liabilities	<u>1,139,020</u>	<u>950,000</u>	<u>2,089,020</u>
Total liabilities	<u>4,037,455</u>	<u>1,141,905</u>	<u>5,179,360</u>
NET ASSETS			
Invested in capital assets, net of related debts	13,188,511	-	13,188,511
Restricted for:			
Expendable:			
Special revenue	2,366,456	-	2,366,456
Debt service	-	-	-
Capital assets	-	-	-
Permanent funds	1,003,400	-	1,003,400
Unrestricted	3,575,171	118,934	3,694,105
Total net assets	<u>20,133,538</u>	<u>118,934</u>	<u>20,252,472</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 24,170,993</u>	<u>\$ 1,260,839</u>	<u>\$ 25,431,832</u>

See accompanying notes to financial statements.

Component Units	
Road Commission	Dickinson County Healthcare System
\$ 100,867	\$ 1,260,958
-	3,292,935
-	1,214,440
562,469	7,357,463
-	-
-	-
270,074	2,092,315
933,410	15,218,111
-	15,317,997
-	-
-	-
-	299,194
29,575,860	45,604,297
29,575,860	61,221,488
\$ 30,509,270	\$ 76,439,599
\$ 137,032	\$ 1,712,665
-	1,478,174
-	-
-	289,435
-	1,308,767
93,322	-
35,417	-
32,532	442,620
-	2,433,509
-	-
370,645	1,214,435
668,948	8,879,605
-	-
328,028	-
-	-
264,227	32,384,321
-	890,000
133,003	164,820
725,258	33,439,141
1,394,206	42,318,746
28,940,988	12,005,541
174,076	-
-	3,410,758
-	1,412,483
-	-
-	17,292,071
29,115,064	34,120,853
\$ 30,509,270	\$ 76,439,599

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Legislative	\$ 87,248	\$ -	\$ -	\$ -	\$ (87,248)	\$ -	\$ (87,248)
Judicial system	1,627,910	871,783	687,314	-	(68,813)	-	(68,813)
General government	2,673,145	545,848	231,116	414,551	(1,481,630)	-	(1,481,630)
Public safety	2,134,472	565,882	374,822	-	(1,193,768)	-	(1,193,768)
Health and welfare	1,132,986	180,713	91,995	-	(860,278)	-	(860,278)
Recreation and culture	1,789,618	723,104	118,854	-	(947,660)	-	(947,660)
Other	1,906,989	-	-	-	(1,906,989)	-	(1,906,989)
Interest on long-term debt	14,309	-	-	-	(14,309)	-	(14,309)
Total governmental activities	11,366,677	2,887,330	1,504,101	414,551	(6,560,695)	-	(6,560,695)
Business-type activities:							
Delinquent tax revolving	3,000	127,436	-	-	-	124,436	124,436
Total primary government	\$ 11,369,677	\$ 3,014,766	\$ 1,504,101	\$ 414,551	(6,560,695)	124,436	(6,436,259)
Component units:							
Road Commission	\$ 4,072,287	\$ 733,000	\$ 2,855,188	\$ 750,224	-	-	-
Dickinson County Healthcare System	62,698,827	62,940,936	52,934	197,000	-	-	-
Total component units	\$ 66,771,114	\$ 63,673,936	\$ 2,908,122	\$ 947,224	-	-	-
General revenues:							
Property taxes					7,262,409	-	7,262,409
Grants and contributions not restricted to specific programs					6,140	-	6,140
Contributions to permanent fund					873	-	873
Unrestricted investment earnings					234,063	-	234,063
Miscellaneous					46,270	-	46,270
Transfers					114,451	(114,451)	-
Total general revenues and transfers					7,664,206	(114,451)	7,549,755
Change in net assets					1,103,511	9,985	1,113,496
Net assets, beginning					19,030,027	108,949	19,138,976
Net assets, ending					\$ 20,133,538	\$ 118,934	\$ 20,252,472
							\$ 63,235,917

COUNTY OF DICKINSON, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2005

	<u>General Fund</u>	<u>Revenue Sharing Reserve</u>	<u>Retiree's Medical Care</u>
ASSETS			
Cash and equivalents:			
Unrestricted	\$ 42,356	\$ 731,265	\$ 1,640,046
Investments	-	-	-
Receivables:			
Accounts	3,884	-	-
Taxes	1,623,274	1,490,832	-
Due from other funds	255,836	-	-
Due from other local units	79,959	-	-
Due from State of Michigan	124,214	-	-
Prepaid expense	11,234	-	-
Long-term advances to other funds	950,000	-	-
	<u>\$ 3,090,757</u>	<u>\$ 2,222,097</u>	<u>\$ 1,640,046</u>
LIABILITIES			
Accounts payable	\$ 9,926	\$ -	\$ -
Accrued payroll	61,538	-	-
Deferred revenue	1,532,135	-	-
	<u>1,603,599</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Reserved			
Permanent funds	-	-	-
Computer purchases	-	-	-
Unreserved:			
Designated	950,000	-	-
Undesignated	537,158	2,222,097	1,640,046
Unreserved, reported as non-major:			
Special revenue funds	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Permanent funds	-	-	-
	<u>1,487,158</u>	<u>2,222,097</u>	<u>1,640,046</u>
Total liabilities and fund balances	<u>\$ 3,090,757</u>	<u>\$ 2,222,097</u>	<u>\$ 1,640,046</u>

See accompanying notes to financial statements.

Senior Citizens Tax	County Library	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,016	\$ 660,368	\$ 1,100,118	\$ 4,175,169
-	-	565,758	565,758
-	-	102,535	106,419
299,829	673,145	-	4,087,080
-	-	-	255,836
-	-	2,935	82,894
-	-	165,610	289,824
-	7,268	-	18,502
-	-	-	950,000
<u>\$ 300,845</u>	<u>\$ 1,340,781</u>	<u>\$ 1,936,956</u>	<u>\$ 10,531,482</u>
\$ -	\$ 31,529	\$ 22,147	\$ 63,602
-	-	22,825	84,363
299,829	673,145	21,334	2,526,443
<u>299,829</u>	<u>704,674</u>	<u>66,306</u>	<u>2,674,408</u>
-	-	1,003,400	1,003,400
-	15,066	-	15,066
-	563,697	137,987	1,651,684
1,016	57,344	-	4,457,661
-	-	641,388	641,388
-	-	13,287	13,287
-	-	8,035	8,035
-	-	66,553	66,553
<u>1,016</u>	<u>636,107</u>	<u>1,870,650</u>	<u>7,857,074</u>
<u>\$ 300,845</u>	<u>\$ 1,340,781</u>	<u>\$ 1,936,956</u>	<u>\$ 10,531,482</u>

COUNTY OF DICKINSON, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
December 31, 2005

Total fund balances for governmental funds	\$	7,857,074
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	1,591,783	
Buildings and improvements	8,477,634	
Machinery and equipment	1,835,548	
County Library	1,501,268	
Infrastructure	6,948,733	
Accumulated depreciation	<u>(6,715,455)</u>	
Total capital assets		13,639,511

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Bonds payable	(310,000)	
Notes payable	(141,000)	
Post-employment benefits	(583,778)	
Compensated absences	<u>(328,269)</u>	<u>(1,363,047)</u>

Total net assets of governmental activities	\$	<u><u>20,133,538</u></u>
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See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005

	General Fund	Revenue Sharing Reserve	Retiree's Medical Reserve
REVENUES:			
Taxes	\$ 4,827,954	\$ 1,490,832	\$ -
Licenses and permits	15,475	-	-
Federal sources	250,130	-	-
State sources	636,617	-	-
Local sources	-	-	-
Charges for services	1,116,567	-	-
Interest and rentals	77,151	19,336	49,794
Other	319,571	-	-
	<u>7,243,465</u>	<u>1,510,168</u>	<u>49,794</u>
Total revenues			
	<u>7,243,465</u>	<u>1,510,168</u>	<u>49,794</u>
EXPENDITURES:			
Legislative	87,248	-	-
Judicial system	1,090,491	-	-
General government	1,393,690	-	-
Public safety	1,555,983	-	-
Health and welfare	288,368	-	-
Recreation and cultural	7,985	-	-
Capital outlay	85,641	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Other	1,904,757	-	-
	<u>6,414,163</u>	<u>-</u>	<u>-</u>
Total expenditures			
	<u>6,414,163</u>	<u>-</u>	<u>-</u>
Excess revenues (expenditures)	<u>829,302</u>	<u>1,510,168</u>	<u>49,794</u>
OTHER FINANCING SOURCES (USES):			
Transfer in	590,908	-	-
Transfer out	(1,212,263)	(476,457)	-
	<u>(621,355)</u>	<u>(476,457)</u>	<u>-</u>
Total other financing sources (uses)			
	<u>(621,355)</u>	<u>(476,457)</u>	<u>-</u>
Net change in fund balance	207,947	1,033,711	49,794
Fund balances - beginning of year	1,279,211	1,188,386	1,590,252
Fund balances - end of year	<u>\$ 1,487,158</u>	<u>\$ 2,222,097</u>	<u>\$ 1,640,046</u>

See accompanying notes to financial statements.

Senior Citizens Tax	County Library	Nonmajor Governmental Funds ^a	Total Governmental Funds
\$ 292,443	\$ 651,165	\$ -	\$ 7,262,394
-	-	171,782	187,257
-	-	296,252	546,382
-	28,110	307,529	972,256
-	171,060	51,505	222,565
-	13,346	643,061	1,772,974
-	35,816	323,904	506,001
-	22,521	253,861	595,953
292,443	922,018	2,047,894	12,065,782
-	-	-	87,248
-	-	499,541	1,590,032
-	-	616,945	2,010,635
-	-	487,020	2,043,003
291,147	-	385,895	965,410
-	835,688	880,422	1,724,095
-	-	390,374	476,015
-	-	111,000	111,000
-	-	14,309	14,309
-	-	2,232	1,906,989
291,147	835,688	3,387,738	10,928,736
1,296	86,330	(1,339,844)	1,137,046
-	10,518	1,268,703	1,870,129
-	-	(66,958)	(1,755,678)
-	10,518	1,201,745	114,451
1,296	96,848	(138,099)	1,251,497
(280)	539,259	2,008,749	6,605,577
\$ 1,016	\$ 636,107	\$ 1,870,650	\$ 7,857,074

DICKINSON COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

Net changes in fund balances - total governmental funds	\$ 1,251,497
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$863,988) exceeded capital outlays (\$333,279).	(530,709)
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Repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.

Principal repayments:

Bond principal	95,000	
Note principal	16,000	111,000

Capital contributions received from other governmental units for capital improvements at the County Airport.	394,955
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Proceeds from the sale of capital assets which was recorded as revenue in the fund financial statements.	(105,000)
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Loss on the sale of capital assets as recorded in the statement of activities	(41,064)
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	(14,038)	
Post-employment benefits	36,870	22,832

Changes in net assets of governmental activities	\$ 1,103,511
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See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2005

	<u>Tax Revolving</u>
ASSETS	
Current assets:	
Cash and cash equivalents	
Unrestricted	\$ 740,863
Receivables:	
Current taxes	417,440
Interest	56,621
Due from other funds	<u>54,356</u>
Total current assets	<u>1,269,280</u>
Noncurrent assets:	
Delinquent taxes	<u>45,915</u>
Total assets	<u><u>\$ 1,315,195</u></u>
LIABILITIES	
Current liabilities	
Due to other funds	\$ 246,261
Noncurrent liabilities:	
Long-term advance from other funds	<u>950,000</u>
Total liabilities	<u>1,196,261</u>
NET ASSETS	
Unrestricted	<u>118,934</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,315,195</u></u>

See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2005

	<u>Tax Revolving</u>
OPERATING REVENUES:	
Charges for services	\$ 12,840
Rental and interest income	<u>114,596</u>
Total operating revenue	<u>127,436</u>
OPERATING EXPENSES:	
Supplies	<u>3,000</u>
Operating income (loss)	<u>124,436</u>
NONOPERATING REVENUES (EXPENSES):	
Transfer out	<u>(114,451)</u>
Change in net assets	9,985
Total net assets - beginning	<u>108,949</u>
Total net assets - ending	<u><u>\$ 118,934</u></u>

See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2005

	<u>Tax Revolving</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 12,840
Receipts from interest and rents	110,689
Cash received for collection of taxes	1,278,929
Payments to suppliers	(3,000)
Cash payments for taxes	(1,289,724)
Other receipts (payments)	<u>325,792</u>
Net cash provided (used) by operating activities	<u>435,526</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfer out	<u>(114,451)</u>
Net increase (decrease) in cash and equivalents	321,075
Cash and equivalents, beginning of year	<u>419,788</u>
Cash and equivalents, end of year	<u><u>\$ 740,863</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	<u>\$ 124,436</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in receivables	(14,702)
(Increase) decrease in due from other funds	79,531
Increase (decrease) in due to other funds	<u>246,261</u>
Total adjustments	<u>311,090</u>
Net cash provided by operating activities	<u><u>\$ 435,526</u></u>

See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2005

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents:	
Unrestricted	<u>\$ 1,072,502</u>
LIABILITIES	
Due to other funds	\$ 63,931
Due to other governmental units	77,983
Undistributed taxes	695,482
Other liabilities	<u>235,106</u>
Total liabilities	<u>\$ 1,072,502</u>

See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background - The County of Dickinson was organized in 1891 under the provisions of the Michigan Constitution and covers an area of 757 square miles divided into seven townships and three cities. The County is operated under a Commission/Controller form of government and provides services in the following functional areas: legislative, courts, public records, public roads, management, building operation and expense, human service, resource management and development, law enforcement, and health services. The County is governed by an elected five member Board of Commissioners, with the county seat located in the City of Iron Mountain.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, management's discussion and analysis and reporting on infrastructure.

Reporting Entity - For financial reporting purposes, in conformance with GASB Statement 14, as amended by GASB Statement 39, Dickinson County (the primary government) includes all funds, agencies, boards, commissions, other component units, and authorities that are controlled by or dependent on the County's legislative branch, the County Commission. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, or receipt of significant subsidies from the County. In addition, State of Michigan - Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units - The County has three component units for which the financial data has been blended with the primary government financial statements.

Building Commission Authority - Pursuant to MCL 123.951 the County of Dickinson formed a Building Commission Authority known as Crystal Lake Community Center Commission. The Commission consists of seven members appointed by the Dickinson County Board of Commissioners. Although it is legally separate from the County, the Building Commission Authority is reported as if it were part of the primary government because its sole purpose is to operate and maintain a recreational facility for the County.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dickinson County Library and Library Trust – The Dickinson County Library and Library Trust are governed by a board which is appointed by the Dickinson County Board of Commissioners. The Library is a part of the County of Dickinson and a majority of its revenues are deposited with the County Treasurer. The Dickinson County Library and Library Trust were audited by other auditors and their complete financial statements can be obtained from their administrative office located at 401 Iron Mountain Street, Iron Mountain, Michigan 49801.

Dickinson County Construction Code Authority – During 1999 the Dickinson County Board of Commissioners approved the formation of the Dickinson County Construction Code Authority. The purpose of the Authority is to provide inspection services and enforcement of the State construction code. The Authority is governed by a seven member board which is appointed by the County Board of Commissioners and has one representative from the six townships, one from Breitung Township, one from the City of Kingsford, one from the City of Iron Mountain, one from the City of Norway and two from the County Board of Commissioners. The Authority is reported as a part of the primary government because its sole purpose is to provide building code inspections and code enforcement to the citizens of Dickinson County. The majority of its revenues are on deposit with the Dickinson County Treasurer.

Discretely presented component unit - The component unit columns in the combined financial statements include the financial data of the Dickinson County Road Commission, Dickinson County Healthcare System and the Dickinson County Economic Development Corporation. The component units are reported in a separate column to emphasize that they are legally separate from the County.

Dickinson County Road Commission – The Dickinson County Road Commission, which was established pursuant to the County Road Law (MCL 224.1), is governed by a three member board of County Road Commissioners appointed by the County Board of Commissioners. The Road Commission provides the citizens of Dickinson County road service and maintenance. The Road Commission may not issue debt or levy a tax without the County Board of Commissioners approval. The Road Commission financial statements were audited by other auditors and those financial statements may be obtained at:

Dickinson County Road Commission
1107 South Milwaukee Avenue
P.O. Box 519
Iron Mountain, Michigan 49807

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dickinson County Healthcare System – The Healthcare System was formed as a county public hospital under provisions of Michigan Act 350 P.A. 1913 on July 29, 1947. On April 1, 1959, Anderson Memorial Hospital was accepted as a unit of the hospital system. On September 11, 1990, the hospital was reorganized under Act 230 P.A. 1987 as a municipal health facilities corporation which assumed all rights, privileges, immunities and franchises of the predecessor county public hospital. On October 1, 1992, Dickinson County Memorial Hospital System received a single license to operate both Dickinson County Memorial Hospital in Iron Mountain, Michigan and Anderson Memorial Hospital in Norway, Michigan.

Pursuant to PA 230 of 1987, the hospital system is required to approve the debt of all subsidiaries. Dickinson County Board of Commissioners is required to approve the debt of the Dickinson County Healthcare System and its subsidiaries. The financial statements of the Dickinson County Healthcare System were audited by other auditors and a complete copy of the Healthcare System financial statements can be obtained at:

Dickinson County Healthcare System
1721 South Stephenson Avenue
Iron Mountain, Michigan 49801

Dickinson County Economic Development Corporation (EDC) – The EDC was established pursuant to the provisions of Public Act 338 of 1974, as amended, and is governed by a nine person board of directors appointed by the Dickinson County Board of Commissioners. The EDC may not issue debt without the County Board of Commissioners approval. Financial statement data for the EDC is not presented since there was no activity in the EDC fund for 2005. Further information relating to the EDC may be obtained from the County Courthouse.

Joint Ventures - Based on the foregoing criteria, the following organizations are not included in the financial report of the County of Dickinson:

Dickinson-Iron District Health Department – Dickinson and Iron Counties participate jointly in the operation of the Dickinson-Iron District Health Department. The members of the board are jointly appointed by the Dickinson and Iron County Board of Commissioners. All of the financial operations of the Health Department are recorded in the records of Iron County and is included as a separate discretely presented component unit in the financial statements.

The funding formula approved by the members of the local units is based on each unit's population and equalized valuation as it relates to the total population and valuation, which would be 70.6% for Dickinson County and 29.4% for Iron County. Dickinson County's contribution to the Health Department for the year ended December 31, 2005 was \$72,122.

Complete financial statements of the District Health Department can be obtained directly from their administrative office located at 601 Washington, P.O. Box 516, Stambaugh, Michigan 49964.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K.I.N.D. – K.I.N.D. was organized in 1992 by the cities of Kingsford, Iron Mountain, Norway and the County of Dickinson. K.I.N.D operates under a specifically designated Board of Directors (five members) and provides services to the residents of Dickinson County in the area of drug law enforcement.

Funding is based on a per capita basis, at the rate of \$.75 per person utilizing 2000 census data and subsequently adjusted based on decennial census data. Utilizing the 2000 census, it would reveal the following breakdown:

Population						
Iron Mountain	8,154	x	0.75	=	\$	6,116
Kingsford	5,549	x	0.75	=		4,162
Norway	2,959	x	0.75	=		2,219
Dickinson County	10,810	x	0.75	=		8,108
Total population	27,472				\$	20,604

The County's share of appropriation was in the form of labor (deputies' wages) paid by the County. The main source of revenues is through forfeitures.

Upon agreement of the Board, forfeiture funds could be used for operational costs, additional training and equipment and future drug money. It is agreed that of the forfeitures forfeited by the plan, 40 percent of any and all forfeitures shall remain with the drug team, the remaining 60 percent may be disbursed by majority agreement at a joint meeting of the K.I.N.D. Board of Directors, the County Controller and the City Managers of Iron Mountain, Kingsford and Norway.

Complete financial statements for K.I.N.D. Drug Enforcement team can be obtained from their headquarters at 111 East Fleshiem Street, Iron Mountain, Michigan 49801.

Pinecrest Medical Care Facility - Dickinson County is a participant with Delta and Menominee Counties in a joint venture to operate the Pinecrest Medical Care Facility. The Pinecrest Medical Care Facility was established under PA 178 of 1929 (MCL 404.1) permitting the establishment, operation and control of county medical care facility by two or more counties of less than 1,000,000 population. The Pinecrest Medical Care Board was created for that purpose. The nine-member board is composed of three representatives from each County's Social Services Board. The Counties are obligated by agreement to share equally in providing the local funds necessary for operations and improvements. Pinecrest Medical Care Facility is custodian of their funds and the financial statements are not reported in any one of the three counties. Complete Financial Statements for the Pinecrest Medical Care Facility can be obtained from Pinecrest's Office at N 15995 Main Street, Powers, Michigan 49874.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dickinson-Iron Community Services Agency (DICSA) – Pursuant to the Urban Cooperation Act, as amended, (MCLA 124.501) and the Michigan Economic and Social Opportunity Act of 1981, as amended, (MCLA 400.1101) Dickinson and Iron Counties entered into an inter-local agreement to form DICSA, a public agency, as a separate legal entity for designation as a community action agency.

The depository of agency funds shall be located in Iron County. Funding for the agency is equally shared by Dickinson and Iron Counties.

The Agency shall be governed by a governing board consisting of three members from each county for a total of six members. The chairperson of each County Board of Commissioners and two members designated by each chairperson shall constitute the governing board.

The Agency may not issue debt or levy property taxes without approval of the respective counties. A voted millage was approved for the support of the agency in which the County paid \$291,147 during 2005 from property taxes for senior citizens' activities.

Complete financial statements for DICSA can be obtained from their administrative office at 800 Crystal Lake, Iron Mountain, Michigan, 49801.

Dickinson County Solid Waste Management Authority – Articles of incorporation were adopted by the incorporating municipalities for the purpose of creating an Authority under the provisions of Michigan's 1955 Public Act 233, as amended in 1993. The municipalities include the following: County of Dickinson, the cities of Iron Mountain, Kingsford and Norway, the Charter Township of Breitung, and the townships of Breen, Felch, Norway, Sagola, Waucedah and West Branch, each located in the County of Dickinson.

The Board of Trustees consists of seven voting members appointed by the legislative bodies of the participating municipalities as designated by the articles of incorporation. Debt may be issued in the name of the Authority as negotiable bonds, secured by the contractual full faith and credit pledges of each municipality, and self-liquidating revenue bonds.

The Authority shall continue in existence perpetually or until dissolved by a two-thirds vote of the municipalities or by law. A separate audit may be obtained from the authority's office at Dickinson County Solid Waste Processing Facility, W7702, Quinnesec, Michigan, 49876.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly Governed Organization

Northpointe Behavioral Healthcare Systems Authority – Dickinson, Menominee and Iron Counties entered into an inter-local agreement on October 26, 1994 for the purpose of establishing an Authority to govern community mental health programs.

Northpointe was established pursuant to the Michigan Constitution of 1963, Article 7, Section 28, the Mental Health Code, 1974 PA 258, as amended, and the Urban Cooperation Act, 1967 PA 7 and is governed by a twelve member board. The County does not have an ongoing financial interest or an ongoing financial responsibility in Northpointe but did make an appropriation in the amount of \$99,630.

Complete financial statements for Northpointe can be obtained from their office located at 715 Pyle Drive, Kingsford, Michigan, 49802.

Accounting Policies - The accounting policies of the County of Dickinson conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of the more significant policies:

Fund Accounting - The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide and fund financial statements – The government-wide financial statements include a Statement of Net Assets and a Statement of Activities which report the information on all non-fiduciary activities of the primary government and its component units. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely primarily on user fees and charges for service. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrate the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operating or capital requirements of a particular function or segment and 3) other revenues that are by definition related to the cost of providing a specific function or segment. Taxes and other items not specific to particular functions or segments are reported instead as general revenues.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation – The government-wide financial statements use the economic resources measurement focus and full accrual basis of accounting which also include the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements are recorded only when the payment is due.

Property taxes, licenses, interest revenue and charges for services are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following as major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Revenue Sharing Reserve Fund – Accounts for the activities related to the collection of additional property taxes for the purpose of replacing state revenue sharing for a period of approximately nine or ten years.

Retiree's Medical Care Reserve – Accounts for the activity relating to the accumulation of resources to fund future post-employment health insurance for County retiree's.

Senior Citizens Tax Fund – Accounts for the activity relating to the collection and distribution of a separate tax levy for senior citizens activities.

County Library Fund – Accounts for activities relating to the operation of the county library.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The County reports the following as major proprietary funds:

Tax Revolving – This fund accounts for the purchase and subsequent collection of delinquent real property taxes from the various taxing units throughout the county.

Additionally, the County reports the following fund types:

Governmental Funds:

Special revenue funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments for major capital projects) that are legally restricted to expenditures for specified purposes.

Debt service funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital project funds – Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations or other governmental organizations).

Permanent funds – Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the County's programs.

Proprietary Funds:

Enterprise funds – Enterprise funds may be used to, "report any activity for which a fee is charged to external users for goods and services." GASB Statement 34 states that enterprise funds must be used to account for an activity if any of the following three criteria is satisfied:

- The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
- Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or capital debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- The pricing policies of the activity establishes fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds:

Agency funds – Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities/enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Tax Revolving fund are interest and fees collected on delinquent property taxes. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets, if applicable. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting – Budgets are adopted by the County Board of Commissioners for the general, special revenue, debt service and capital project funds. The budgetary basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget is adopted at the activity level and control is exercised at the activity level. The County Board of Commissioners has authorized the County Controller to make budget transfers between appropriations prior to a regularly scheduled board meeting, when necessary, subject to the following limitations:

- a. No appropriation account may be increased or decreased by more than 20 percent.
- b. Line-item appropriations for salaries, travel, dues and memberships may not be increased.
- c. The transfers must be presented to the Board of Commissioners for approval at its next regularly scheduled meeting.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Equivalents and Investments – Cash and investments are segregated on the Statement of Net Assets. Cash deposits consist of demand and time deposits with financial institutions and are reported at carrying amount which is fair value. Investments are carried at market value. For the purpose of the statement of cash flows, the County considers all highly liquid investments with maturities of less than three months or where there is no loss of principal upon early withdrawal, as cash equivalents.

Taxes Receivable – Current – The County property tax is levied on each July 1st and December 1st on the taxable valuation of the property located in the County as of the preceding December 31st.

Although a portion of the County's 2005 ad valorem tax is levied and collectible on December 1, 2005, it is the County policy to recognize revenues from the current tax levy in the subsequent fiscal year when the proceeds from this levy are budgeted and made available for the financing of County operations. The County also levies part of its operating millage on July 1st, these amounts are recognized as revenue when collected as well as the amount the County expects to receive as part of the tax settlement which is usually within 180 days of the end of the County's fiscal year end.

The 2005 taxable valuation of Dickinson County amounted to \$796,921,088 on which ad valorem taxes of 4.0802 mills were levied for County operations, .9000 mills for County Library operating purposes, and .4000 mills for senior citizens programs and .2000 mills for the Health Department. The remaining amount the County will collect from the July 2006 levy cannot be determined as the taxable values are not determined as of the balance sheet date.

The December 2005 tax levy should raise approximately \$1,532,135 for County operating purposes, \$673,145 for County Library operation and \$299,829 for senior citizens programs. These amounts are recognized in the respective funds as taxes receivable – current, with an off-setting credit to deferred revenue.

In 2004 the County was required by Public Act 357 of 2004, to set aside one-third of the December 2004 levy for County operations into a new fund called the Revenue Sharing Reserve Fund, leaving two-thirds of the levy for County General Fund operations. In July 2005, the County was required to levy one-third of the property taxes for County operations and these funds were used to fund operations for the 2005 fiscal year. For the December 1, 2005 levy, the County will levy two-thirds of the total number of mills allocated for County operations, with \$1,490,832 going into the Revenue Sharing Reserve Fund and the remaining amount going into the County General Fund to cover fiscal year 2006 operations. In July 2006, the County will levy two-thirds of the total number of mills allocated for County operations and the proceeds from this levy will fund County operations for the 2006 fiscal year. For the December 1, 2006 levy, the County will levy one-third of the total number of mills allocated for County operations, with \$1,490,832 going into the Revenue Sharing Reserve Fund and the remaining amount going into the County General Fund to cover fiscal year 2007 operations. In July 2007, the County will levy the entire allocated County operating mills which will be used to cover County operations for the 2007 fiscal year. For fiscal years 2007 and beyond, the County's operating mills will be levied as part of the July levy, leaving only the extra voted mills to be levied each December.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Revenue Sharing Reserve Fund will be funded by property taxes in the amount of \$4,472,493 over a three-year period and will be used to transfer amounts annually to the General Fund in lieu of the County receiving State revenue sharing payments. The amounts to be transferred to the General Fund will be determined by the State of Michigan annually and an amount of \$476,457 was transferred for the 2005 fiscal year. The County estimates that the Revenue Sharing Reserve Fund will be depleted during the 2013 fiscal year.

Taxes Receivable – Delinquent – The taxes receivable in the business-type activities of \$417,440 in current taxes receivable and \$45,915 listed as a noncurrent asset represent uncollected real property taxes levied prior to 2005. The delinquent real property taxes may be summarized as follows:

2004	\$	418,715
2003		41,481
2002		2,078
Other		<u>1,081</u>
Total	\$	<u><u>463,355</u></u>

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet.

Inventory – The County does not record inventory, as all supplies are expensed when purchased. For the Healthcare System inventory is stated at the lower of cost (first-in, first-out) or market. The Road Commission inventory is recorded using the average cost method.

Patient Receivables – Dickinson County Healthcare System – Patient receivables are uncollateralized patient and third-party payor obligations. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provisions.

Property Taxes - Assessed property values are established annually (the first Monday in March) by the local units of government and equalized by the State at an estimated 50% of current market value. Property taxable value is determined in accordance with (MCL 211.34d). The property taxes are levied based on taxable value on July 1 and December 1. The County tax is collected during this period by each local taxing district.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Real property taxes not paid by February 28 are purchased by the County as part of the March tax settlement. County property taxes are recognized as revenue in the current fiscal year when services financed by the levy are being provided. The County considers taxes received as part of the annual tax settlement as revenue in the year the tax was levied which is typically within 180 days of the end of the County's fiscal year.

Capital Assets – Capital assets, which include property, buildings, equipment and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County, as well as its component units, is depreciated using the straight-line method, except for road equipment for the County Road Commission which uses sum-of-the-years'-digits, over the following estimated useful lives:

	Years
Land improvements	15 - 30
Buildings and improvements	10 - 50
Machinery and equipment	3 - 30
Infrastructure	15 - 30

Compensated Absences – County - Employees are granted vacation and sick leave in varying amounts based upon employment classification and length of service. Upon termination, employees are paid for accumulated vacation and sick time, based upon current rate of pay subject to certain limitations. Vacation and sick leave pay is fully accrued in the government-wide financial statements and the proprietary financial statements.

Compensated Absences – Dickinson County Healthcare System – The Healthcare System has a paid-time-off (PTO) program that allows employees to earn vacation and catastrophic leave (CAT) benefits based, in part, on length of service. Employees may accumulate PTO up to a specified maximum. Employees are paid for accumulated PTO if employment is terminated. The PTO program also allows for 25% of accumulated CAT days to be paid out at retirement up to a maximum of 120 hours. CAT days not paid out are applied to years of service for pension credit calculations.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity - Under the provisions of GASB Statement No. 1, a County may establish reserves for those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Fund equity designations also may be established to indicate tentative plans for financial resource utilization in a future period.

Other Financing Sources (Uses) - The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing and borrowing funds, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Patient Service Revenue – Dickinson County Healthcare System – The Healthcare System has agreements with third-party payors that provide for payments to the Healthcare System at amounts different from its established rates. Payment arrangements included prospectively determined rates, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care – Dickinson County Healthcare System – To fulfill its mission of community service, the Healthcare System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Healthcare System does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue.

Advertising Costs – Dickinson County Healthcare System – The Healthcare System expenses advertising costs as incurred.

Risk Management – Dickinson County Healthcare System – The Healthcare System is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illness; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE B – BUDGET/FUND BALANCE NON-COMPLIANCE

General County

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year ended December 31, 2005, expenditures were incurred in excess of the amounts appropriated in the amended budgets for the activities or functions within the General Fund, however total expenditures did not exceed total appropriations. Expenditures were in excess of appropriations in the following funds:

	<u>Total Appropriation</u>	<u>Expenditures</u>	<u>Budget Variance</u>
Friend of Court	\$ 69,067	\$ 72,233	\$ (3,166)
Separation Pay	85,960	114,670	(28,710)
Public Improvement	-	100,739	(100,739)
County Remonumentation	95,000	118,333	(23,333)
D.A.R.E. Program	17,420	17,696	(276)
County Airport	393,749	397,930	(4,181)

Deficit Fund Balance – A deficit existed in the unreserved fund balance of the Civil Defense Fund and the County Remonumentation Fund of \$13,230 and \$298, respectively. Public Act 275 of 1980 requires the County to file a deficit elimination plan with the Michigan Department of Treasury showing how the deficit will be eliminated.

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS

The County maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Michigan Compiled Laws, Section 129.91 authorizes the County to deposit and invest in the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 sat. 789,15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - i. The purchase of securities on a when-issued or delayed delivery basis.
 - ii. The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the securities loaned.
 - iii. The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the Local Government Investment Pool Act, MCL 129.141 to 129.150.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

All deposits are carried at cost and are in accordance with statutory authority. The Governmental Accounting Standards Board (GASB) Statement No. 40 risk disclosures for the County's cash deposits and investments are as follows:

	Primary Government	
	Carrying Amount	Bank Balance
Cash and equivalents:		
Deposits:		
Insured (FDIC)	\$ 1,494,360	\$ 1,506,979
Uninsured	4,494,174	5,245,836
Total cash	<u>\$ 5,988,534</u>	<u>\$ 6,752,815</u>
Government-Wide Statement of Net Asset Presentation:		
Cash and equivalents:		
Unrestricted	\$ 4,916,032	
Statement of Fiduciary Net Assets		
Cash and equivalents:		
Unrestricted	<u>1,072,502</u>	
Total cash and equivalents	<u>\$ 5,988,534</u>	

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a policy for custodial credit risk. As noted in the preceding table, the County has \$5,245,836 of bank deposits that were uninsured and uncollateralized.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the County's name:

Type of Investment	Carrying Value	How Held
U.S. government and agency securities	\$ 565,758	Counter party

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE C – CASH AND EQUIVALENTS AND INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The County's investment policy does not restrict investment maturities. At year end, the specific maturities of investments are as follows:

Investments	Fair Value	Maturities
U.S. government and agency securities:		
FFCB MTN	\$ 15,354	8/8/2007
FNMA	15,230	1/15/2009
FNMA	16,406	6/15/2010
FHLMC	15,877	6/15/2011
FHLMC MTN	246,800	6/16/2006
FNMA	248,438	9/8/2006

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and the County's investment policy limit the investment in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. As of year end, the credit quality ratings of debt securities were not applicable as all investments are in government securities.

County Road Commission

At year end, the Road Commission's cash deposits and investments, is as follows:

	Primary Government	
	Carrying Amount	Bank Balance
Cash and equivalents:		
Deposits:		
Insured (FDIC)	\$ 100,667	\$ 138,808
Imprest	200	-
Total cash	<u>\$ 100,867</u>	<u>\$ 138,808</u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Dickinson County Healthcare System

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Healthcare System's deposits may not be returned to it. The Healthcare System does not have a deposit policy for custodial credit risk. The Healthcare System had bank balances at December 31, 2005 as follows:

	2005
Insured (FDIC)	\$ 119,036
Collateralized by corporate securities held by the pledging institution in the Healthcare System's name	1,000,000
Uncollateralized	<u>671,441</u>
Total	<u>\$ 1,790,477</u>
Carrying value	<u>\$ 1,279,894</u>

The carrying value of the deposits shown above is included in the Healthcare System's balance sheet as follows:

Cash and cash equivalents	<u>\$ 1,279,894</u>
---------------------------	---------------------

The carrying value of investments is included in the Healthcare System's statement of net assets as follows:

	2005
Cash and cash equivalents	\$ 1,260,958
Temporary investments	3,292,935
Restricted assets - current portion	1,214,440
Internally designated for capital improvements	10,384,440
Other long-term investments	1,159,936
Restricted under indenture agreement for debt service	2,361,138
Restricted under indenture agreement for capital assets	<u>1,412,483</u>
Total	<u>\$ 21,086,330</u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Dickinson County Healthcare System (continued)

Investments

The Healthcare System's investments are reported at fair value. At December 31, 2005 the Healthcare System's investments consisted of the following:

	<u>Maturities</u>	<u>2005</u>
Cash and cash equivalents	Daily	\$ 1,279,894
Money market funds	Daily	4,786,698
Commercial paper	4 - 6 months	3,189,960
Federal Home Loan Mortgage Corporation	2 - 10 years	4,448,144
Federal National Mortgage Association	2.2 - 10 years	3,782,802
Federal Home Loan Bank	2.1 - 10 years	2,452,434
Federal Farm Credit Bank	2.4 - 10 years	446,588
U.S. Treasury Note	10 years	425,068
Fannie Mae	25 months	<u>274,742</u>
Carrying value of investments		21,086,330
Less amount shown as current		<u>(5,768,333)</u>
Noncurrent cash and investments		<u><u>\$ 15,317,997</u></u>

Interest Rate Risk – The Healthcare System's investment policy contains a provision that limits the investment maturities of commercial paper to 270 days as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment policy does not contain a provision that limits other types of investment maturities.

Credit Risk – The Healthcare System complies with State statutes with regard to credit risk. As of December 31, 2005, the Healthcare System's investment in Fannie Mae, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, US Treasury Notes, and Federal Farm Credit Bank are rated AAA by Moody's Investors Service.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Dickinson County Healthcare System (continued)

Concentration of Credit Risk – The Healthcare System currently does not place a limit on the amount it may invest with any one issuer. More than 5 percent of the Healthcare System's investments are in the following investments as of December 31, 2005:

	<u>Percentage</u>
Commercial Paper	15.1%
Money Market Funds	22.7%
Federal Home Loan Mortgage Corporation	21.1%
Federal National Mortgage Association	17.9%
Federal Home Loan Bank	11.6%

Investment Income – Investment income and gains and losses on cash equivalents, and investments consist of the following for the year ended December 31, 2005:

	<u>2005</u>
Interest income and realized gains and losses	\$ 888,429
Interest income on proceeds of borrowed funds	<u>22,292</u>
Total investment income	<u>\$ 910,721</u>
Change in unrealized gains and losses on investments	<u>\$ (179,718)</u>

NOTE D – RECEIVABLES

Receivables consist of the following:

	Governmental	Business-Type	<u>Component Units</u>	
	Activities	Activities	Road Commission	Healthcare System
Accounts	\$ 106,419	\$ -	\$ -	\$ 7,357,463
Taxes	4,087,080	463,355	-	-
Interest	-	56,621	-	-
Due from other local units	82,894	-	34,927	-
Due from the State of Michigan	<u>289,824</u>	<u>-</u>	<u>527,542</u>	<u>-</u>
Total	<u>\$ 4,566,217</u>	<u>\$ 519,976</u>	<u>\$ 562,469</u>	<u>\$ 7,357,463</u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE E - INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at December 31, 2005 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
		Tax Revolving Trust and Agency	\$ 246,261 9,575
General Fund	<u>\$ 255,836</u>	Subtotal	<u>255,836</u>
Tax Revolving	<u>54,356</u>	Trust and Agency	<u>54,356</u>
Total	<u><u>\$ 310,192</u></u>	Total	<u><u>\$ 310,192</u></u>

Financial Statement Presentation:

Governmental Funds	\$ 255,836	Governmental Funds	\$ -
Enterprise Funds	54,356	Enterprise Funds	246,261
Fiduciary Funds	<u>-</u>	Fiduciary Funds	<u>63,931</u>
Total	<u><u>\$ 310,192</u></u>		<u><u>\$ 310,192</u></u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE F – CAPITAL ASSETS

County

Capital asset activity for the year ended December 31, 2005, was as follows:

	Balance at 01/01/05	Additions	Disposals	Balance at 12/31/05
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,594,551	\$ 45,728	\$ -	\$ 1,640,279
Capital assets being depreciated:				
Buildings and improvements	9,110,637	123,964	150,130	9,084,471
Machinery and equipment	2,022,625	77,615	27,894	2,072,346
Library books & materials	540,866	68,271	-	609,137
Infrastructure	6,536,077	412,656	-	6,948,733
Total depreciable asset	18,210,205	682,506	178,024	18,714,687
Total capital assets	19,804,756	728,234	178,024	20,354,966
Less accumulated depreciation:				
Buildings and improvements	2,294,348	193,298	4,066	2,483,580
Machinery and equipment	827,988	157,852	-	985,840
County Library	694,540	105,858	27,894	772,504
Infrastructure	2,066,551	406,980	-	2,473,531
Total accumulated depreciation	5,883,427	863,988	31,960	6,715,455
Net depreciable capital assets	12,326,778	(181,482)	146,064	11,999,232
Governmental activities capital assets, net	\$ 13,921,329	\$ (135,754)	\$ 146,064	\$ 13,639,511

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Judicial system	\$ 34,085
General government	551,033
Public safety	87,424
Health and welfare	7,399
Recreation and culture	184,047
Total governmental activities depreciation expense	\$ 863,988

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE F – CAPITAL ASSETS (continued)

Road Commission

The following is a summary of changes in capital assets of the Road Commission for the year ended December 31, 2005:

	Balance at 01/01/05	Additions	Disposals	Balance at 12/31/05
Capital assets not being depreciated:				
Land and improvements	\$ 205,915	\$ -	\$ -	\$ 205,915
Infrastructure land improvements	10,944,484	732,041	-	11,676,525
Total non-depreciable capital assets	11,150,399	732,041	-	11,882,440
Capital assets being depreciated:				
Buildings	1,499,423	-	-	1,499,423
Machinery and equipment	5,732,990	49,307	101,072	5,681,225
Infrastructure - roads	30,040,495	1,239,240	-	31,279,735
Infrastructure - bridges	3,071,367	80	-	3,071,447
Total depreciable capital assets	40,344,275	1,288,627	101,072	41,531,830
Total capital assets	51,494,674	2,020,668	101,072	53,414,270
Less accumulated depreciation:				
Buildings	476,112	38,839	-	514,951
Machinery and equipment	4,835,646	278,455	101,072	5,013,029
Infrastructure - roads	16,073,895	1,361,511	-	17,435,406
Infrastructure - bridges	806,169	68,855	-	875,024
Total accumulated depreciation	22,191,822	1,747,660	101,072	23,838,410
Net depreciable capital assets	18,152,453	(459,033)	-	17,693,420
Capital assets, net	\$ 29,302,852	\$ 273,008	\$ -	\$ 29,575,860

Depreciation expense was charged to the following activities:

Net Equipment Expense	
Direct equipment	\$ 260,765
Indirect equipment	52,938
Net Administrative Expense	
Office equipment	3,591
Infrastructure depreciation	1,430,366
Total Depreciation Expense	\$ 1,747,660

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE F – CAPITAL ASSETS (continued)

Dickinson County Healthcare System

The following is a summary of changes in capital assets of the Dickinson County Healthcare System for the year ended December 31, 2005:

	Balance at 01/01/05	Additions	Transfers and Retirements	Balance at 12/31/05
Capital assets not being depreciated:				
Land	\$ 1,643,231	\$ -	\$ -	\$ 1,643,231
Construction in progress	3,205,926	6,311,131	(7,723,937)	1,793,120
Total non-depreciable capital assets	4,849,157	6,311,131	(7,723,937)	3,436,351
Capital assets being depreciated:				
Land improvements	938,024	6,750	-	944,774
Buildings and improvements	35,027,075	-	4,358,514	39,385,589
Equipment	26,179,359	1,732,523	2,227,591	30,139,473
Total depreciable capital assets	62,144,458	1,739,273	6,586,105	70,469,836
Total capital assets	66,993,615	8,050,404	(1,137,832)	73,906,187
Less accumulated depreciation:				
Land improvements	169,642	45,052	-	214,694
Buildings and improvements	9,421,031	1,270,185	-	10,691,216
Equipment	15,767,769	2,515,113	(886,902)	17,395,980
Total accumulated depreciation	25,358,442	3,830,350	(886,902)	28,301,890
Net depreciable capital assets	36,786,016	(2,091,077)	7,473,007	42,167,946
Capital assets, net	\$ 41,635,173	\$ 4,220,054	\$ (250,930)	\$ 45,604,297

Construction in progress at December 31, 2005 represent costs related to building and renovation projects and equipment purchased and not placed into service at December 31, 2005. The total estimated cost to complete the projects is \$3,213,000 which will be funded with proceeds from the Hospital Revenue bonds, Series 2004 and internally designated funds.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE G – LONG-TERM DEBT

County

The following is a summary of changes in long-term debt for the year ended December 31, 2005:

Type of Debt	Balance 1/1/2005	Additions	Deductions	Balance 12/31/2005	Amounts Due Within One Year
Governmental activities:					
Correction Center Bonds	\$ 405,000	\$ -	\$ 95,000	\$ 310,000	\$ 100,000
Fair Bonds	157,000	-	16,000	141,000	16,000
Compensated absences:					
General County	300,534	12,642	-	313,176	78,294
County Library	13,697	1,396	-	15,093	-
Post retirement benefits - County Library	620,648	-	36,870	583,778	29,733
Total governmental activities long-term debt	<u>\$ 1,496,879</u>	<u>\$ 14,038</u>	<u>\$ 147,870</u>	<u>\$ 1,363,047</u>	<u>\$ 224,027</u>

Debt service requirements on long-term debt at December 31, 2005 are as follows:

For the Year Ending December 30,	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2006	\$ 116,000	\$ 11,828
2007	121,000	9,024
2008	121,000	5,898
2009	16,000	3,928
2010	16,000	3,296
2011-2014	61,000	6,526
Total	<u>\$ 451,000</u>	<u>\$ 40,500</u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE G – LONG-TERM DEBT (continued)

Governmental Activities:

In 2003 the County issued bonds in the amount of \$500,000 for improvements to the County Correctional Facility. The interest rate ranges from 1.5% to 2.55% with an ending maturity date of 5/1/08. Annual principal payments are due each May 1st and semi-annual interest payments are due each May 1st and November 1st.

In 2004 the County issued bonds in the amount of \$157,000 for improvements at the County fair grounds. The interest rate ranges from 3.9% to 4.55% with an ending maturity date of 11/1/14. Annual principal and interest payments are due each November 1st.

Compensated Absences

Vacation Benefit Policies – The County's employment policies provide for the accumulation of vacation benefits to be earned in varying amounts depending on an employee's years of service. The annual vacation benefits earned by each employee are credited on his or her employment anniversary date.

Sick Leave Benefit Policies – General County employees, union and nonunion, earn one day of sick leave per month. Sheriff Department employees earn sick leave upon hire at one day per month. After accumulation of 100 days, the employee is paid annually 25 percent of their accumulated leave in excess of 100 days in January the following year.

See Note K for information regarding post-employment benefits.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE G – LONG-TERM DEBT (continued)

Road Commission

The following is a summary of changes in long-term debt for the year ended December 31, 2005:

Type of Debt	Balance 1/1/2005	Additions	Deductions	Balance 12/31/2005	Amounts Due Within One Year
Equipment Lease-Purchase Agreements:					
Caterpillar Financial Services:					
June 2000 lease	\$ 16,251	\$ -	\$ 16,251	\$ -	\$ -
Septemer 2002 lease	39,636	-	14,310	25,326	14,967
Septemer 2002 lease	103,407	-	36,133	67,274	37,793
Septemer 2002 lease	119,429	-	41,732	77,697	43,649
November 2003 lease	165,541	-	40,772	124,769	42,433
Deere Credit Services:					
May 2002 lease	68,973	-	28,628	40,345	30,018
Daimler-Chrysler North America LLC:					
May 2003 lease	96,594	-	27,632	68,962	28,765
June 2003 lease	113,553	-	31,638	81,915	32,934
First National Bank of Norway					
February 2004 - lease	17,816	-	8,005	9,811	8,378
February 2004 - lease	21,804	-	10,208	11,596	10,684
Canon Financial					
February 2005 - lease	-	8,000	823	7,177	1,024
Michigan Transportation Fund Note	240,000	-	120,000	120,000	120,000
Vested employee benefits	334,720	-	6,692	328,028	-
Total	\$ 1,337,724	\$ 8,000	\$ 382,824	\$ 962,900	\$ 370,645

Debt service requirements on long-term debt at December 31, 2005 are as follows:

For the Year Ending December 30,	Lease-Purchase Agreements		Notes Payable	
	Principal	Interest	Principal	Interest
2006	\$ 250,645	\$ 18,145	\$ 120,000	\$ 4,800
2007	196,124	7,479	-	-
2008	64,470	2,351	-	-
2009	1,543	404	-	-
2010	2,090	24	-	-
Total	\$ 514,872	\$ 28,403	\$ 120,000	\$ 4,800

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE G – LONG-TERM DEBT (continued)

Equipment Lease-Purchase and Loan Agreements

Caterpillar Leasing

1. June 2000 lease-purchase for a 143H. The lease has an original principal amount of \$169,000 and calls for 60 monthly installments of \$3,300 at 5.9% interest, is secured by the equipment and matures in 2005.
2. September 2002 lease-purchase for a caterpillar D3 dozer. The lease has an original principal amount of \$70,269 and calls for 60 monthly installments of \$1,317 at 4.5% interest, is secured by the equipment and matures in 2007.
3. September 2002 lease-purchase for a caterpillar D6 dozer. The lease has an original principal amount of \$179,009 and calls for 60 monthly installments of \$3,337 at 4.5% interest, is secured by the equipment and matures in 2007.
4. September 2002 lease-purchase for a caterpillar 143H motor grader. The lease has an original principal amount of \$206,746 and calls for 60 monthly installments of \$3,854 at 4.5% interest, is secured by the equipment and matures in 2007.
5. November 2003 lease-purchase for a caterpillar 972G wheel loader. The lease has an original principal amount of \$211,800 and calls for 60 monthly installments of \$3,888 at 3.86% interest, is secured by the equipment and matures in 2008.

Deere Credit Leasing

1. May 2002 lease-purchase for a John Deere 772H motor grader. The lease has an original principal amount of \$139,000 and calls for 60 monthly installments of \$2,607 at 4.75% interest, is secured by the equipment and matures in 2007.

Daimler-Chrysler Services

1. May 2003 lease-purchase for a quad axle dump truck. The lease has an original principal amount of \$140,723 and calls for 60 monthly installments of \$2,584 at 4.02% interest, is secured by equipment and matures in 2008.
2. May 2003 lease-purchase for a quad axle dump truck. The lease has an original principal amount of \$161,658 and calls for 60 monthly installments of \$2,969 at 4.02% interest, is secured by the equipment and matures in 2008.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE G – LONG-TERM DEBT (continued)

First National Bank of Norway

1. February 2004 lease-purchase of Chevrolet Silverado $\frac{3}{4}$ ton truck. The lease has an original principal amount of \$24,214 and calls for 36 monthly installments of \$721 at 4.5% interest, secured by the equipment.
2. February 2004 lease-purchase of a Chevrolet Tahoe. The lease has an original principal amount of \$30,761 and calls for 36 monthly installments of \$916 at 4.5% interest, secured by the equipment.

Canon Financial

1. February 2005 lease-purchase of a copy machine. The lease has an original principal amount of \$8,000 and calls for 60 monthly installments of \$147 at 4.02% interest, secured by the equipment.

Michigan Transportation Fund Notes Payable Series 2001

During 2001, Dickinson County Road Commission entered into Act 143 Michigan Transportation Fund Revenue notes payable for the purpose of constructing a garage in the amount of \$600,000 with interest ranging from 3.8% to 5.125%. The note calls for annual principal payments of \$120,000 plus accrued interest and the note matures in 2006.

Vested Employee Vacation Benefits

Vacation benefits are earned monthly at various rates based on length of service. Each hourly (union) employee may accumulate a maximum of 240 hours of vacation time. Any authorized accumulation over the maximum 240 hours will be paid to an employee as a lump sum.

Employee Sick Leave Benefits

Each hourly (union) employee will be granted sick leave at the rate of 8 hours for each month of employment and shall be able to accumulate sick leave to a maximum 600 hours. Salaried employees may earn sick leave with no accumulation limit.

Accumulated sick leave benefits are paid in accordance with the following provisions:

1. Voluntary termination – Salaried employees will be paid 50% of their accumulated sick leave, hourly (union) employees will not be entitled to any payment for unused sick days.
2. Retirement or death – For those hired prior to January 1, 1995, salaried and hourly (union) employees will be paid 100% of their accumulated sick leave, not to exceed 600 hours upon retirement, or in the case of death to the employees beneficiary. For employees hired after January 1, 1995, they will be paid 100% of their accumulated sick leave, not to exceed 400 hours upon retirement, or in the case of death to the employee's beneficiary.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE G – LONG-TERM DEBT (continued)

Dickinson County Healthcare System

The following is a summary of changes in long-term debt for the year ended December 31, 2005:

Type of Debt	Balance 1/1/2005	Additions	Deductions	Balance 12/31/2005	Amounts Due Within One Year
Hospital revenue bonds, series 2004	\$ 4,969,340	\$ -	\$ 95,520	\$ 4,873,820	\$ 101,070
Hospital revenue and refunding bonds, series 1999	31,470,000	-	875,000	30,595,000	925,000
Original issue discount	(256,573)	-	(21,022)	(235,551)	-
Equipment note payable	1,263,414	-	177,422	1,085,992	188,365
Capitalized lease obligation	56,064	-	56,064	-	-
Unamortized loss on defeasance of series 1994 bonds	(2,963,299)	-	(242,794)	(2,720,505)	-
Total	\$ 34,538,946	\$ -	\$ 940,190	\$ 33,598,756	\$ 1,214,435

The terms and due dates of the Healthcare System's long-term debt, including capital lease obligations, at December 31, 2005 are as follows:

- 5.66% Dickinson County Healthcare System, County of Dickinson, State of Michigan, Hospital Revenue Bonds, Series 2004 (Series 2004 Bonds) – due in monthly installments of \$31,194 including interest, to August 2029, secured by certain equipment. (1)
- 5.25% to 5.80% Dickinson County Healthcare System, County of Dickinson, State of Michigan, Hospital Revenue and Refunding Bonds, Series 1999 (Series 1999 Bonds) – due in varying annual installments to November 2024, secured by a pledge of net revenues, investment income, and bond funds held under the indenture agreement. (1)
- Original Issue Discount – Associated with the Series 1999 Bonds issuance.
- Equipment Note Payable – Megavoltage Radiation Therapy (MRT) equipment – During 2000 the Healthcare System entered into a 6%, 10-year note payable with Marquette General Hospital (an unrelated organization) for the purchase of MRT equipment. The note payable is due in monthly installments of \$20,700 to January 2011, and is secured by the MRT equipment.
- Capital Lease Obligation – Imputed interest rate of 0%, secured by leased equipment.
- Unamortized Loss on Defeasance of Series 1994 Bonds – During 1999, the Healthcare System defeased the Series 1994 Revenue Bonds by issuing the Series 1999 bonds. A portion of the Series 1999 bond proceeds totaling \$32,810,599 was placed in an irrevocable trust to provide for all future debt service payments on the 1994 bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in these financial statements. The resulting loss on defeasance of approximately \$4,480,000 is being amortized using the straight-line method, over the life of the Series 1999 bonds.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE G – LONG-TERM DEBT (continued)

(1) The Series 2004 bonds and Series 1999 bonds loan agreements place limits on the incurrence of additional borrowings and requires the Healthcare System satisfy certain measures of financial performance. The Series 1999 bonds loan agreement also requires the Healthcare System maintain certain deposits with a trustee. Such deposits are shown as restricted for this purpose in the statement of net assets.

Debt service requirements on long-term debt at December 31, 2005 are as follows:

For the Year Ending December 30,	Long-Term Debt		Total
	Principal	Interest	
2006	\$ 1,214,435	\$ 2,069,942	\$ 3,284,377
2007	1,281,924	2,003,889	3,285,813
2008	1,355,471	1,931,717	3,287,188
2009	1,475,139	1,855,399	3,330,538
2010	1,540,998	1,772,391	3,313,389
2011-2015	7,673,322	7,654,639	15,327,961
2016-2020	10,098,282	5,220,186	15,318,468
2021-2025	10,683,943	1,941,459	12,625,402
2026-2030	1,231,298	134,405	1,365,703
	36,554,812	\$ 24,584,027	\$ 61,138,839
Less unamortized bond discount	(235,551)		
Less unamortized loss on defeasance	(2,720,505)		
Total	\$ 33,598,756		

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE H – OPERATING LEASES – DICKINSON COUNTY HEALTHCARE SYSTEM

The Healthcare System leases certain medical and other equipment and office space under operating leases having terms of more than one year. Total operating lease expense for the year ended December 31, 2005 for all leases was \$486,595

Minimum future lease payments for these operating leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2006	\$ 229,530
2007	71,628
2008	21,928
2009	<u>7,192</u>
Total minimum lease payments	<u>\$ 330,278</u>

NOTE I - OPERATING TRANSFERS IN AND OUT

Transfers between governmental and proprietary funds are primarily made for operating appropriations and are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 590,908	\$ 1,212,263
Revenue Sharing Reserve	-	476,457
County Parks	157,606	-
Community Service	89,939	-
Friend of Court	67,067	-
Separation Pay	85,960	-
Public Improvement	56,618	-
County Fair	13,957	22,440
Civil Defense	46,196	-
Enhanced 911	158,319	-
Law Library	15,575	-
Veterans Tax	72,379	-
Child Care	362,147	-
County Airport	120,500	34,000
County Fair Debt	22,440	-
County Library	10,518	-
Library Trust	-	10,518
Enterprise Funds:		
Tax Revolving	-	<u>114,451</u>
Total	<u>\$ 1,870,129</u>	<u>\$ 1,870,129</u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE J - RETIREMENT PLANS

General County

Plan Description - The General County, County Library and the County Road Commission (discretely presented component unit) participate in a defined benefit non-contributory retirement plan. All plan types are administered by the Municipal Employee's Retirement System (MERS). All plans cover substantially all full-time employees. MERS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for Michigan municipal employees.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity qualified under section 401(a) of the Internal Revenue Code, which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996 allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 447 N. Canal Road, Lansing, MI 48917.

General County Retirement Plan - There are seven valuation divisions within the plan. The AFSCME and Library division has adopted benefit B-3 and the Sheriff, General Nonunion, UP Labor Union, Sheriff Corrections and Communication Officers have adopted benefit B-4. Under benefit B-3 employees shall receive 2.25% of their three-year final average compensation. Benefit B-4 provides for employees to receive 2.5% of their final three year final average compensation, depending on the benefit adopted, with a maximum benefit of 80% of the final average compensation. Retirement eligibility and requirements vary by department. Employees are required to contribute and the percent of contribution on covered payroll varies by division. The most recent actuarial report gives the details of the plan and a copy is on file in the County Controllers office.

Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2004. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.40% per year, depending on age, attributable to seniority/merit.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE J – RETIREMENT PLANS (continued)

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2004 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

GASB 25 INFORMATION (as of 12/31/04)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 8,302,604
Terminated employees not yet receiving benefits	627,391
Non-vested terminated employees (pending refunds of accumulated member contributions)	17,478
Current Employees:	
Accumulated employee contributions including allocated investment income	634,885
Employer financed	7,112,306
Total actuarial accrued liability	16,694,664
Net assets available for benefits, at actuarial value (market value is \$12,801,664)	13,114,856
Unfunded (overfunded) actuarial accrued liability	\$ 3,579,808

GASB 27 INFORMATION (as of 12/31/04)

Fiscal year beginning	January 1, 2006
Annual required contribution (ARC)	\$ 483,096
Amortization factor used - underfunded liabilities (30 years)	0.053632

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2004 were determined using the entry age normal cost actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2002	\$ 259,490	100%	\$ -
2003	345,357	100%	-
2004	388,666	100%	-

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE J - RETIREMENT PLANS (continued)

The General County was required to contribute \$397,431 for the year ended December 31, 2005, with employee contributions totaling \$134,304. Payments were based on contribution calculations made by MERS.

The County was required to contribute at an actuarially determined rate, which is a percentage of covered payroll as listed below:

Valuation Division	Contribution Percentage			
	2006 *	2005 *	2004 *	2003 *
AFSCME	13.81%	14.76%	11.88%	11.71%
Sheriff	12.53%	12.43%	8.98%	8.20%
Library	13.15%	14.86%	14.74%	13.05%
General Nonunion	17.28%	15.13%	11.48%	10.29%
Sheriff Corrections	9.47%	9.92%	@	@
UP Labor Union	14.25%	@	@	@
Communication Officers	66.18%	@	@	@

* Represents the actuarial required contribution for the fiscal year ended.

@ Valuation division did not exist in this fiscal year.

Employee required contributions were as follows:

Valuation Division	Contribution Percentage		
	2006 *	2005 *	2004 *
AFSCME	2.00%	2.00%	2.00%
Sheriff	5.18%	5.18%	2.00%
Library	2.00%	2.00%	2.00%
General Nonunion	5.55%	5.55%	2.00%
Sheriff Corrections	4.06%	4.06%	@
UP Labor Union	5.15%	@	@
Communication Officers	6.80%	@	@

* Represents the actuarial required contribution for the fiscal year ended.

@ Valuation division did not exist in this fiscal year.

Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2002	\$ 11,001,522	\$ 12,103,060	\$ 1,101,538	91%	\$ 3,147,521	35%
2003	12,112,947	15,013,097	2,900,150	81%	3,411,941	85%
2004	13,114,856	16,694,664	3,579,808	79%	3,140,182	114%

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE J - RETIREMENT PLANS (continued)

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997, 2000 and 2004 valuations. The funding method was changed to entry age normal for the 1993 valuation.

County Road Commission

Road Commission Retirement Plan - The Dickinson County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times final average compensation.

Funding Policy - Members of the employee's group do not contribute any annual compensation. One member of the Road Commissioner's group contributes 3% of the first \$4,200 and 5% of his annual compensation in excess of \$4,200. The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy. The Road Commission is required to contribute at an actuarially determined rate; the rate for the year ended December 31, 2004 was 12.59% and 7.00% of covered payroll for the General-Other and General-Road Commission Groups.

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2004 were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2002	\$ 160,164	100%	\$ -
2003	168,652	100%	-
2004	170,605	100%	-

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE J - RETIREMENT PLANS (continued)

Aggregate Accrued Liabilities - Comparative Schedule

Valuation Date December 31,	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2002	\$ 4,902,390	\$ 6,092,424	\$ 1,190,034	80%	\$ 1,414,171	84%
2003	5,164,685	6,550,361	1,385,676	79%	1,317,501	105%
2004	5,320,699	6,955,360	1,634,661	76%	1,341,558	122%

Dickinson County Healthcare System

The Healthcare System is the administrator of a single-employer defined benefit noncontributory pension plan (Plan) covering substantially all of its employees who have met the Plan's eligibility requirements. The Plan was established in 1965 and most recently amended January 1, 2004. The most recent actuarial valuation was made as of January 1, 2006. Based on actuarial information, the Healthcare System's estimated payroll for employees covered by the plan for the years ended December 31, 2005 and 2004 was \$27,447,000 and \$25,928,000. The Healthcare System's total actual payroll for the years ended December 31, 2005 and 2004 was approximately \$29,118,000 and \$28,160,000.

Current membership in the Plan consists of the following at December 31:

	2005	2004
Retirees and beneficiaries currently receiving benefits	177	177
Vested terminated members	132	127
Active and inactive employees:		
Fully vested	511	497
Nonvested	153	168
Total	973	969

All employees of the Healthcare System are eligible to participate in the Plan following the completion of at least one year of service and a minimum of 1,000 hours. Benefits vest after five years of service and minimum of 1,000 hours per year.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE J - RETIREMENT PLANS (continued)

Normal retirement age is 65 with the completion of five or more years of service. Normal retirement pays a monthly pension for life, equal to 1.25% of average monthly compensation per year of credited service plus 0.65% of average monthly compensation in excess of covered compensation per year of service up to maximum of 35 years, with a \$50 minimum. Employees may elect an early retirement on or after age 60 which pays a monthly pension for life computed in the same manner as a normal retirement pension, but based on service and earnings to date of retirement, and actuarially reduced to reflect the early commencement date.

Active employees with 15 or more years of service and who have attained age 50, who become disabled are eligible for a disability pension, provided they qualify for Social Security disability. A disability pension is computed in the same manner as a normal retirement pension, but based on service and earnings to the date of disability.

If a vested employee dies, a death benefit is paid to the surviving spouse. Fifty percent of the deceased employee's benefit accrued to the date of death, is paid immediately or at the date the employee would have been age 60, whichever is later.

Funding Policy – The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The required contributions for the years ended December 31, 2005 and 2004 were 5.54% and 5.04%, of annual covered payroll.

Annual Pension Cost – For 2005, 2004, 2003, 2002, and 2001, the Healthcare System's annual pension cost was equal to the Healthcare System's required and actual contributions. The required contribution was determined as part of the January 1, 2005, 2004, 2003, 2002, and 2001, actuarial valuations using the projected unit credit cost actuarial funding method. The actuarial assumptions for fiscal 2005 included (a) 8.5% investment rate of return and (b) salary increases including merit and seniority increases ranging from 0.16% to 3.84% per year, plus wage inflation of 5.0%. The assumptions regarding benefits are that no changes will occur on a post-retirement basis.

The Healthcare System's annual pension cost, and required and actual contributions for the years ended December 31, 2005, 2004, 2003, 2002, and 2001 were approximately \$1,437,000, \$1,267,000, \$1,048,000, \$873,000 and \$847,000. The net pension obligation for the years ended December 31, 2005, 2004, 2003, 2002, and 2001 was zero.

A separately issued financial report of the Dickinson County Healthcare System Retirement Plan is available which includes financial statements and required supplementary information for the Plan.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE K – POST-EMPLOYMENT BENEFITS

County

The County provides certain post-employment health benefits per contractual agreement. Upon retirement, and if the employee qualifies for retirement benefits under MERS the County pays the same percentage of hospitalization premiums for retirees as paid for the retiree at the time of retirement, but only for employees hired prior to January 1, 1996. The benefit covers the employee and their dependents until the employee's death, after the employee's death the surviving spouse must pay for the benefit. The County does not pay anything for retiree's health insurance coverage for employees hired after January 1, 1996 but such employees may "self-pay" for continued coverage after the date of their retirement. For the year ended December 31, 2005 the County has not performed an actuarial valuation for the post-employment health benefits and it is the County's policy to fund this benefit on a pay-as-you-go basis. The following is a summary of the post-employment health benefits:

For the year ended December 31,	Annual Cost	Number of Retirees Receiving Benefits
2003	\$ 170,279	15
2004	225,146	27
2005	328,883	29

The Dickinson County Library has recorded a liability of \$583,778 for post-employment health benefits to reflect the present value of the monthly health insurance benefits for seven currently retired employees and six active employees whose contracts include post-retirement health coverage. This liability was calculated using current insurance costs, an interest rate of 6.17%, and actuarially determined life expectancy tables. County Library employees have the same benefits as general county employees as noted above.

County Road Commission

Health Care Insurance Benefits

In addition to the pension benefits described in Note J, the Dickinson County Road Commission provides post-employment health care insurance benefits to specified retired employees and/or their spouse. The benefits are provided in accordance with Article 10, Section 1, of the union agreement, which includes the following provision:

“A retiree plan which excludes the Drug Rider will be provided to the retiree and his/her dependents for three (3) years following retirement. After three (3) years, the employer will pay towards the retiree's premium only, in the amount equivalent to the complimentary plan for five (5) years.”

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE K – POST-EMPLOYMENT BENEFITS (continued)

In accordance with the working agreement of salaried employees with the Dickinson County Road Commission, salaried employees upon retirement are entitled to the same plan that they had while employed, except for the Drug Rider, until death and spouse until age 70, with the total cost of the plan paid by the Road Commission.

The Road Commission's policy is to finance this benefit on a pay-as-you-go basis. The following is a summary of the post-employment health benefits:

For the year ended December 31,	Annual Cost	Number of Retirees Receiving Benefis
2003	\$ 26,005	6
2004	110,423	12
2005	128,778	12

Life Insurance

Salaried employees, upon retirement, are entitled to \$5,000 of life insurance with the premium paid by the Road Commission.

The Road Commission's policy is to finance this benefit on a pay-as-you-go basis. During 2005, 4 retirees were eligible for this benefit at a total cost of approximately \$192.

NOTE L – DESIGNATED/RESERVED FUND EQUITY

- A. Fund equity has been designated in the General Fund for the long-term advance to the Delinquent Tax fund in the amount of \$950,000.
- B. Fund equity has been designated in the Public Improvement fund for specific capital projects in the amount of \$137,987.
- C. Fund equity has been designated in the County Library fund for compensated absences (\$13,697), building improvements (\$80,000), post-retirement benefits (\$115,000) and operating expenses (\$355,000).
- D. Fund equity has been reserved for the unspendable portion of fund equity in each permanent fund as follows: Fontana Terminal Trust - \$706,303; Fumee Lake Trust - \$206,351; Library Trust - \$90,746.
- E. Fund equity has been reserved in the Library fund in the amount of \$15,066 for the purchase of computers.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE M - CONTINGENT LIABILITIES

The County participates in a number of Federal and State assisted grant programs, principal of which are the Friend of Court and Prosecuting Attorney Cooperative Reimbursement programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts if any, to be immaterial.

NOTE N - RISK MANAGEMENT

County

The County of Dickinson participates as a member in the Michigan Municipal Risk Management Authority. The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. An individual member's maximum retention on general liability and auto liability is \$75,000. The limits on auto physical damage are \$15,000 per unit and \$30,000 per occurrence. The retention limits for property coverage are subject to a \$1,000 deductible with 10 percent of the first \$100,000 to be paid by the member. Some members have individual retention levels different than the ones previously stated.

In the event a reinsurance company does not meet its obligation to the Authority, responsibility for payment of any unreimbursed claims will be that of the Authority Reinsurance Fund.

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance agreements. The Authority established the Authority Reinsurance Fund in order to participate in the reinsurance agreements. Individual members are provided the same level of coverage previously afforded through a combination of the reinsurance agreements and the Reinsurance Fund.

In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements.

At December 31, 2005, the County had no outstanding claims which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE N - RISK MANAGEMENT (continued)

County Road Commission

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for medical benefits claims and participants in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers' compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 years.

The county road commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (Pool) pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State. The Dickinson County Road Commission became a member of the Pool for liability and property coverage in 1991 and for workers' compensation coverage in 1993.

The Michigan County Road Commission Self-Insurance Pool program operates as a common risk-sharing management program for road commissions in Michigan, member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE O – CHARITY CARE – DICKINSON COUNTY HEALTHCARE SYSTEM

The Healthcare System maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The amounts of charges foregone, based on established rates, were \$1,174,837 and \$881,315 for the years ended December 31, 2005 and 2004.

NOTE P – NET PATIENT SERVICE REVENUE – DICKINSON COUNTY HEALTHCARE SYSTEM

The Healthcare System has agreements with third-party payors that provide for payments to the Healthcare System at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per visit. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. The Healthcare System's Medicare cost reports have been settled by the Medicare fiscal intermediary through the year ended December 31, 2001. The Healthcare System's classification of patients under Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Healthcare System.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE P – NET PATIENT SERVICE REVENUE – DICKINSON COUNTY HEALTHCARE SYSTEM
(continued)

Medicaid: Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary accordingly to a patient classification system that is based on clinical, diagnostic, and other factors. Defined capital costs are paid based on a cost reimbursement methodology for inpatient services. Outpatient services related to Medicaid program beneficiaries are reimbursed on a fee for service basis. The Healthcare System's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through December 31, 1998.

Blue Cross: Inpatient and outpatient services rendered to Blue Cross subscribers are paid on a cost related methodology with final settlement determined after submission of annual cost reports by the Healthcare System and are subject to audits thereof by Blue Cross. The Healthcare System's Blue Cross cost reports have been settled by Blue Cross through December 31, 2000.

The Healthcare System has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Healthcare System under these agreements includes prospectively determined rates per discharge and discounts from established charges.

Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

A summary of patient service revenue, contractual adjustments, and provision for bad debts for the year ended December 31, 2005 is as follows:

	<u>2005</u>
Gross patient service revenue	\$ 141,917,588
Less: Charity care	<u>(1,174,837)</u>
Total patient service revenue	<u>140,742,751</u>
Contractual adjustments	
Medicare	(38,141,960)
Medicaid	(8,959,222)
Blue Cross	(20,668,040)
Other	(7,136,112)
Provisions for bad debts	<u>(3,437,405)</u>
Total contractual adjustments and provisions for bad debts	<u>(78,342,739)</u>
Net patient service revenue	<u>\$ 62,400,012</u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE Q – GENERAL AND PROFESSIONAL LIABILITY INSURANCE – DICKINSON COUNTY HEALTHCARE SYSTEM

The Healthcare System carries general and professional liability insurance the MHA Insurance Company. General and professional liability claims are insured on a claims-made policy covering claims in excess of \$50,000 per occurrence and \$150,000 in the aggregate.

The Healthcare System has exposure to deductibles for professional liability claims and a liability for such claims has been established based upon an actuarial determination of expected losses on an occurrence basis.

The Healthcare System's estimate of general and professional liability includes a provision for known claims and for unreported claims and incidents. The Healthcare System's liability for unreported and known claims and incidents has been recorded at the total of anticipated future payments, and is discounted at present value factors ranging from .850 to .980 for 2005. Amounts included as expense for general and professional liability for the years ended December 31, 2005 was approximately \$595,000. The reserve for loss on professional liability claims at December 31, 2005 and activity for the year then ended is as follows:

Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
<u>\$ 965,000</u>	<u>\$ -</u>	<u>\$ (75,000)</u>	<u>\$ 890,000</u>

NOTE R – CONCENTRATIONS – DICKINSON COUNTY HEALTHCARE SYSTEM

The Healthcare System grants credit without collateral to its patients, most of who are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at December 31, 2005 was as follows:

	2005
Medicare	37%
Blue Cross	17%
Medicaid	6%
Commercial insurance and other	21%
Self pay	19%
	<u>100%</u>

The Healthcare System is subject to collectively bargaining agreements for approximately 64% of its labor force. These agreements are negotiated on a tri-annual basis. The agreement for the Michigan Nurses Association will expire in May 2008. The agreement for the American Federation of State, County, and Municipal Employees (AFSCME) will expire in December of 2006.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE S – FORWARD PURCHASE CONTRACT/DEFERRED GAIN – DICKINSON COUNTY
HEALTHCARE SYSTEM**

A forward purchase contract was entered into in 1999 by the Healthcare System relating to certain trustee held funds associated with the Series 1999 bonds. The contract provides a fixed rate of return of 5.775% on the Debt Service Fund and the Reserve Fund investments.

The contract has a maturity date of November 2024, a notional value of \$2,853,000 as of December 31, 2005, and an estimated fair value of \$392,000 at December 31, 2005.

Upon inception of the agreement, the Healthcare System received a premium of \$220,000 from the counter party, which is being amortized over the life of the debt, and is recorded as a deferred gain.

The Healthcare System believes its credit risk is minimal on the transaction.

NOTE T – SINGLE AUDIT

OMB Circular A-133 requires entities that expend more than \$500,000 in federal awards to have a single audit as outlined in the OMB Circular. For the year ended December 31, 2005, Dickinson County did not expend more than \$500,000 in federal awards and therefore a single audit was not required in 2005.

REQUIRED SUPPLEMENTAL INFORMATION

COUNTY OF DICKINSON, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 4,780,035	\$ 4,780,035	\$ 4,827,954	\$ 47,919
License and permits	13,677	13,677	15,475	1,798
Federal sources	256,391	256,391	250,130	(6,261)
State sources	1,083,923	1,083,923	636,617	(447,306)
Charges for services	1,105,910	1,105,910	1,116,567	10,657
Interest and rentals	43,500	43,500	77,151	33,651
Other	298,173	298,173	319,571	21,398
Total revenues	7,581,609	7,581,609	7,243,465	(338,144)
EXPENDITURES:				
Legislative:				
Board of commissioners	93,150	90,150	87,248	2,902
Judicial system:				
Circuit court	165,314	165,314	179,094	(13,780)
41st Circuit court	118,754	121,254	121,860	(606)
District court	360,470	351,470	342,251	9,219
Friend of court	9,576	9,576	9,298	278
Jury board	9,400	7,576	7,576	-
Probate court	355,454	344,454	338,403	6,051
Cooperative reimbursement	99,849	96,849	92,009	4,840
General government:				
Elections	1,400	2,108	2,544	(436)
Clerk	172,191	173,391	171,387	2,004
Controller/Administrator	153,611	101,611	99,335	2,276
Equalization	123,179	123,179	119,872	3,307
Prosecuting attorney	317,328	312,328	311,722	606
Register of deeds	66,153	66,153	63,006	3,147
Treasurer	133,401	133,401	131,290	2,111
Cooperative extension	141,106	131,106	125,674	5,432
Courthouse and grounds	245,263	249,263	258,300	(9,037)
Drain commissioner	9,213	9,213	9,152	61
Photocopy and data processing	77,775	77,775	73,693	4,082
Plat board	200	-	-	-
Microfilm and postage	29,762	29,762	27,715	2,047
Public safety:				
Sheriff	1,120,869	1,138,869	1,134,603	4,266
Marine patrol	10,377	10,377	6,520	3,857
Secondary road patrol	69,002	69,002	69,040	(38)
ORV	12,786	12,786	3,049	9,737
Snowmobile patrol	8,718	8,718	4,826	3,892
Jail	284,136	284,136	286,016	(1,880)
Mine inspector	10,707	6,807	6,633	174
Animal control	53,582	48,582	45,296	3,286

COUNTY OF DICKINSON, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Health and welfare:				
Mental health authority	99,630	99,630	99,630	-
T.B. Care	100	100	-	100
Substance abuse	22,958	23,524	23,524	-
Medical examiner	18,000	18,000	11,075	6,925
TRICO workshop	4,500	4,500	4,500	-
Probate social services	13,500	13,500	12,034	1,466
Soldiers burials	11,000	12,055	12,180	(125)
Soldiers and sailors relief	250	250	210	40
CUPPAD & other planning	-	-	11,343	(11,343)
UPCAP	-	-	1,000	(1,000)
Health department	12,125	72,125	72,122	3
Humane society	30,500	30,500	30,500	-
Project divert	5,250	5,250	5,250	-
Economic development	18,050	17,550	5,000	12,550
Recreation and culture:				
Menghini historical museum	1,000	1,000	1,000	-
Menominee range historical foundation	2,500	2,500	2,500	-
Area band	4,185	4,185	4,185	-
Capital outlay	57,652	86,351	85,641	710
Other :				
County properties road maintenance	35,500	42,744	35,110	7,634
Contingency	78,086	300	300	-
Insurance and bonds	216,795	215,047	215,047	-
Employee benefits	1,613,039	1,624,220	1,606,795	17,425
Tax tribunal orders and charge-backs	7,500	46,305	46,305	-
FIA	1,500	1,500	1,500	-
Total expenditures	6,506,346	6,496,346	6,414,163	82,183
Excess revenues (expenditures)	1,075,263	1,085,263	829,302	(255,961)
OTHER FINANCING SOURCES (USES)				
Transfer in	127,000	127,000	590,908	463,908
Transfer out	(1,202,263)	(1,212,263)	(1,212,263)	-
Total other financing sources (uses)	(1,075,263)	(1,085,263)	(621,355)	463,908
Net changes in fund balances	-	-	207,947	207,947
Fund balances - beginning	1,279,211	1,279,211	1,279,211	-
Fund balances - ending	\$ 1,279,211	\$ 1,279,211	\$ 1,487,158	\$ 207,947

COUNTY OF DICKINSON, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
REVENUE SHARING RESERVE
For the Year Ended December 31, 2005

	Budgeted Amounts Original	Final	Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
REVENUES:				
Taxes	\$ 1,490,831	\$ 1,490,831	\$ 1,490,832	\$ 1
Interest and rentals	18,000	18,000	19,336	1,336
Total revenues	1,508,831	1,508,831	1,510,168	1,337
EXPENDITURES	-	-	-	-
Excess revenues (expenditures)	1,508,831	1,508,831	1,510,168	1,337
OTHER FINANCING SOURCES (USES):				
Transfer out	(476,457)	(476,457)	(476,457)	-
Net changes in fund balances	1,032,374	1,032,374	1,033,711	1,337
Fund balances - beginning	1,188,386	1,188,386	1,188,386	-
Fund balances - ending	\$ 2,220,760	\$ 2,220,760	\$ 2,222,097	\$ 1,337

COUNTY OF DICKINSON, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
RETIREE'S MEDICAL RESERVE
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget-
	Original	Final	(See Note A)	Positive (Negative)
REVENUES:				
Interest and rentals	\$ 42,250	\$ 42,250	\$ 49,794	\$ 7,544
EXPENDITURES:				
Other	-	-	-	-
Excess revenues (expenditures)	42,250	42,250	49,794	7,544
Fund balances - beginning	1,590,252	1,590,252	1,590,252	-
Fund balances - ending	<u>\$ 1,632,502</u>	<u>\$ 1,632,502</u>	<u>\$ 1,640,046</u>	<u>\$ 7,544</u>

COUNTY OF DICKINSON, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SENIOR CITIZENS TAX
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget-
	Original	Final	(See Note A)	Positive (Negative)
REVENUES:				
Taxes	\$ 291,469	\$ 291,469	\$ 292,443	\$ 974
EXPENDITURES:				
Other	172,793	172,793	291,147	(118,354)
Excess revenues (expenditures)	118,676	118,676	1,296	(117,380)
Fund balances - beginning	(280)	(280)	(280)	-
Fund balances - ending	<u>\$ 118,396</u>	<u>\$ 118,396</u>	<u>\$ 1,016</u>	<u>\$ (117,380)</u>

COUNTY OF DICKINSON, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
COUNTY LIBRARY
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 657,721	\$ 651,160	\$ 651,165	\$ 5
State sources	32,680	28,105	28,110	5
Local sources	140,000	171,060	171,060	-
Charges for services	15,000	13,340	13,346	6
Interest and rentals	20,000	35,800	35,816	16
Other	23,000	22,496	22,521	25
Total revenue	888,401	921,961	922,018	57
EXPENDITURES:				
Recreation and culture	888,401	937,130	835,688	101,442
Excess revenues (expenditures)	-	(15,169)	86,330	101,499
OTHER FINANCING SOURCES (USES):				
Transfer in	-	10,515	10,518	3
Net changes in fund balances	-	(4,654)	96,848	101,502
Fund balances - beginning	539,259	539,259	539,259	-
Fund balances - ending	\$ 539,259	\$ 534,605	\$ 636,107	\$ 101,502

OTHER SUPPLEMENTAL INFORMATION

COMBINING FUND FINANCIAL STATEMENTS

COUNTY OF DICKINSON, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005

	Special Revenue Funds			
	County Parks	Community Service	Friend of Court	Separation Pay
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 27,414	\$ 49,935	\$ 11,852	\$ 3,040
Investments	-	-	-	-
Receivables:				
Accounts	-	11,856	-	-
Due from other local units	-	-	-	-
Due from State of Michigan	-	-	-	-
Total assets	<u>\$ 27,414</u>	<u>\$ 61,791</u>	<u>\$ 11,852</u>	<u>\$ 3,040</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 16,146	\$ -	\$ -
Accrued payroll	1,111	5,772	616	-
Deferred revenue	-	7,600	-	-
Total liabilities	<u>1,111</u>	<u>29,518</u>	<u>616</u>	<u>-</u>
Fund balances:				
Reserved	-	-	-	-
Unreserved:				
Designated	-	-	-	-
Undesignated	26,303	32,273	11,236	3,040
Total fund balances	<u>26,303</u>	<u>32,273</u>	<u>11,236</u>	<u>3,040</u>
Total liabilities and fund balances	<u>\$ 27,414</u>	<u>\$ 61,791</u>	<u>\$ 11,852</u>	<u>\$ 3,040</u>

See accompanying notes to financial statements.

Special Revenue Funds

Construction Code	Airport PFC	Public Improvement	County Fair	Homestead Property Exemption	R.O.D. Automation	Civil Defense
\$ 109,942	\$ 33,252	\$ 137,987	\$ 14,182	\$ 463	\$ 41,021	\$ (32,987)
70,520	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	20,328
<u>\$ 180,462</u>	<u>\$ 33,252</u>	<u>\$ 137,987</u>	<u>\$ 14,182</u>	<u>\$ 463</u>	<u>\$ 41,021</u>	<u>\$ (12,659)</u>
\$ 1,065	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,684	-	-	-	-	-	571
-	-	-	-	-	-	-
<u>3,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>571</u>
-	-	-	-	-	-	-
-	-	137,987	-	-	-	-
176,713	33,252	-	14,182	463	41,021	(13,230)
176,713	33,252	137,987	14,182	463	41,021	(13,230)
<u>\$ 180,462</u>	<u>\$ 33,252</u>	<u>\$ 137,987</u>	<u>\$ 14,182</u>	<u>\$ 463</u>	<u>\$ 41,021</u>	<u>\$ (12,659)</u>

**COUNTY OF DICKINSON, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005**

	Special Revenue Funds			
	Enhanced 911	Local Correction Officer Training	Drug Law Enforcement	Drug Law Enforcement - Sheriff
ASSETS				
Cash and equivalents:				
Unrestricted	\$ (15,019)	\$ 11,579	\$ 3,720	\$ 3,341
Investments	-	-	-	-
Receivables:				
Accounts	9,530	-	-	-
Due from other local units	-	-	-	-
Due from State of Michigan	26,901	-	-	-
	<u>26,901</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 21,412</u>	<u>\$ 11,579</u>	<u>\$ 3,720</u>	<u>\$ 3,341</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	7,221	-	-	-
Deferred revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>7,221</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Reserved	-	-	-	-
Unreserved:				
Designated	-	-	-	-
Undesignated	14,191	11,579	3,720	3,341
	<u>14,191</u>	<u>11,579</u>	<u>3,720</u>	<u>3,341</u>
Total fund balances	<u>14,191</u>	<u>11,579</u>	<u>3,720</u>	<u>3,341</u>
Total liabilities and fund balances	<u>\$ 21,412</u>	<u>\$ 11,579</u>	<u>\$ 3,720</u>	<u>\$ 3,341</u>

See accompanying notes to financial statements.

Special Revenue Funds

Special Investigative	Law Library	CDBG Housing	Probation Enhancement	Veterans Tax	County Remonu- mentation	D.A.R.E. Program
\$ 2,888	\$ 1,944	\$ -	\$ 17,296	\$ 4,480	\$ (96,850)	\$ 7,414
-	-	-	-	-	-	-
-	-	-	13,734	-	-	-
-	2,935	-	-	-	-	-
-	-	-	-	-	96,552	-
<u>\$ 2,888</u>	<u>\$ 4,879</u>	<u>\$ -</u>	<u>\$ 31,030</u>	<u>\$ 4,480</u>	<u>\$ (298)</u>	<u>\$ 7,414</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	13,734	-	-	-
-	-	-	13,734	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,888	4,879	-	17,296	4,480	(298)	7,414
2,888	4,879	-	17,296	4,480	(298)	7,414
<u>\$ 2,888</u>	<u>\$ 4,879</u>	<u>\$ -</u>	<u>\$ 31,030</u>	<u>\$ 4,480</u>	<u>\$ (298)</u>	<u>\$ 7,414</u>

**COUNTY OF DICKINSON, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005**

	Special Revenue			
	School Liaison	Child Care	Soldiers and Sailors Relief	Veterans Trust
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 4,604	\$ 94,484	\$ 1,401	\$ 1,105
Investments	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Due from other local units	-	-	-	-
Due from State of Michigan	-	21,829	-	-
Total assets	<u>\$ 4,604</u>	<u>\$ 116,313</u>	<u>\$ 1,401</u>	<u>\$ 1,105</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 4,936	\$ -	\$ -
Accrued payroll	-	1,279	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>6,215</u>	<u>-</u>	<u>-</u>
Fund balances:				
Reserved	-	-	-	-
Unreserved:				
Designated	-	-	-	-
Undesignated	4,604	110,098	1,401	1,105
Total fund balances	<u>4,604</u>	<u>110,098</u>	<u>1,401</u>	<u>1,105</u>
Total liabilities and fund balances	<u>\$ 4,604</u>	<u>\$ 116,313</u>	<u>\$ 1,401</u>	<u>\$ 1,105</u>

See accompanying notes to financial statements.

Special Revenue					Debt Service	
County Airport	Family Counseling	Criminal Justice Training	Alcohol Assessment	Jail Commissary	County Fair Debt	Correction Complex Debt
\$ 18,082	\$ 15,834	\$ 4,366	\$ 22,614	\$ 4,697	\$ 1	\$ 13,286
-	-	-	-	-	-	-
67,415	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 85,497</u>	<u>\$ 15,834</u>	<u>\$ 4,366</u>	<u>\$ 22,614</u>	<u>\$ 4,697</u>	<u>\$ 1</u>	<u>\$ 13,286</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,571	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>3,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
81,926	15,834	4,366	22,614	4,697	1	13,286
81,926	15,834	4,366	22,614	4,697	1	13,286
<u>\$ 85,497</u>	<u>\$ 15,834</u>	<u>\$ 4,366</u>	<u>\$ 22,614</u>	<u>\$ 4,697</u>	<u>\$ 1</u>	<u>\$ 13,286</u>

COUNTY OF DICKINSON, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005

	<u>Capital Projects</u>	<u>Permanent Funds</u>		
	County Fair Project	Fontana Terminal Trust	Fumee Lake Trust	Library Trust
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 8,035	\$ 249,510	\$ 215,686	\$ 109,519
Investments	-	495,238	-	-
Receivables:				
Accounts	-	-	-	-
Due from other local units	-	-	-	-
Due from State of Michigan	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 8,035</u>	<u>\$ 744,748</u>	<u>\$ 215,686</u>	<u>\$ 109,519</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Deferred revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Reserved	-	706,303	206,351	90,746
Unreserved:				
Designated	-	-	-	-
Undesignated	8,035	38,445	9,335	18,773
	<u>8,035</u>	<u>38,445</u>	<u>9,335</u>	<u>18,773</u>
Total fund balances	<u>8,035</u>	<u>744,748</u>	<u>215,686</u>	<u>109,519</u>
Total liabilities and fund balances	<u>\$ 8,035</u>	<u>\$ 744,748</u>	<u>\$ 215,686</u>	<u>\$ 109,519</u>

See accompanying notes to financial statements.

Total
Nonmajor
Governmental
Funds

\$ 1,100,118
565,758

102,535

2,935

165,610

\$ 1,936,956

22,147

22,825

21,334

66,306

1,003,400

137,987

729,263

1,870,650

\$ 1,936,956

COUNTY OF DICKINSON, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2005

	Special Revenue Funds			
	County Parks	Community Service	Friend of Court	Separation Pay
REVENUES:				
License and permits	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
State sources	-	-	-	-
Local sources	-	-	-	-
Charges for services	92,251	141,176	10,120	-
Interest and rentals	4,358	118,981	-	-
Other	16,494	2,443	-	-
Total revenues	113,103	262,600	10,120	-
EXPENDITURES:				
Judicial system	-	-	72,233	-
General government	-	-	-	114,670
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and culture	268,925	346,892	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	268,925	346,892	72,233	114,670
Excess revenues (expenditures)	(155,822)	(84,292)	(62,113)	(114,670)
OTHER FINANCING SOURCES (USES):				
Transfer in	157,606	89,939	67,067	85,960
Transfer out	-	-	-	-
Total other financing sources (uses)	157,606	89,939	67,067	85,960
Net changes in fund balance	1,784	5,647	4,954	(28,710)
Fund balances - beginning	24,519	26,626	6,282	31,750
Fund balances - ending	\$ 26,303	\$ 32,273	\$ 11,236	\$ 3,040

See accompanying notes to financial statements.

Special Revenue Funds

Construction Code	Airport PFC	Public Improvement	County Fair	Homestead Property Exemption	R.O.D. Automation	Civil Defense
\$ 171,782	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	158,785
-	-	9,100	36,278	-	-	-
-	-	10,496	-	-	-	-
-	-	-	146,846	-	29,900	-
7,461	747	20,700	16,348	184	484	-
1,701	-	105,000	19,098	-	-	-
180,944	747	145,296	218,570	184	30,384	158,785
-	-	-	-	-	-	-
-	-	-	-	-	4,057	-
-	-	-	-	-	-	60,133
221,431	-	-	-	-	-	-
-	-	-	258,158	-	-	-
64,415	-	100,739	-	-	-	142,545
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
285,846	-	100,739	258,158	-	4,057	202,678
(104,902)	747	44,557	(39,588)	184	26,327	(43,893)
-	-	56,618	13,957	-	-	46,196
-	-	-	(22,440)	-	-	-
-	-	56,618	(8,483)	-	-	46,196
(104,902)	747	101,175	(48,071)	184	26,327	2,303
281,615	32,505	36,812	62,253	279	14,694	(15,533)
<u>\$ 176,713</u>	<u>\$ 33,252</u>	<u>\$ 137,987</u>	<u>\$ 14,182</u>	<u>\$ 463</u>	<u>\$ 41,021</u>	<u>\$ (13,230)</u>

COUNTY OF DICKINSON, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2005

	Special Revenue Funds			
	Enhanced 911	Local Correction Officer Training	Drug Law Enforcement	Drug Law Enforcement - Sheriff
REVENUES:				
License and permits	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
State sources	107,496	-	-	-
Local sources	-	-	-	-
Charges for services	119,699	11,007	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
Total revenues	227,195	11,007	-	-
EXPENDITURES:				
Judicial system	-	-	-	-
General government	-	-	-	-
Public safety	359,272	8,631	583	2,500
Health and welfare	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	17,632	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	376,904	8,631	583	2,500
Excess revenues (expenditures)	(149,709)	2,376	(583)	(2,500)
OTHER FINANCING SOURCES (USES):				
Transfer in	158,319	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	158,319	-	-	-
Net changes in fund balance	8,610	2,376	(583)	(2,500)
Fund balances - beginning	5,581	9,203	4,303	5,841
Fund balances - ending	\$ 14,191	\$ 11,579	\$ 3,720	\$ 3,341

See accompanying notes to financial statements.

Special Revenue Funds

Special Investigative	Law Library	CDBG Housing	Probation Enhancement	Veterans Tax	County Remonu- mentation	D.A.R.E. Program
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	89,250	-	-	-	-
-	-	-	-	-	118,035	-
-	-	-	-	-	-	17,360
-	-	-	3,630	-	-	-
-	-	-	-	326	-	-
-	15,707	-	4,486	-	-	1,462
-	15,707	89,250	8,116	326	118,035	18,822
-	33,026	-	4,119	-	-	-
-	-	-	-	-	118,333	-
28	-	-	-	-	-	17,696
-	-	89,250	-	70,276	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
28	33,026	89,250	4,119	70,276	118,333	17,696
(28)	(17,319)	-	3,997	(69,950)	(298)	1,126
-	15,575	-	-	72,379	-	-
-	-	-	-	-	-	-
-	15,575	-	-	72,379	-	-
(28)	(1,744)	-	3,997	2,429	(298)	1,126
2,916	6,623	-	13,299	2,051	-	6,288
\$ 2,888	\$ 4,879	\$ -	\$ 17,296	\$ 4,480	\$ (298)	\$ 7,414

COUNTY OF DICKINSON, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2005

	Special Revenue Funds			
	School Liaison	Child Care	Soldiers and Sailors Relief	Veterans Trust
REVENUES:				
License and permits	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
State sources	-	10,936	-	2,745
Local sources	-	11,649	-	-
Charges for services	-	16,720	-	-
Interest and rentals	-	-	-	-
Other	-	38,439	-	-
Total revenues	-	77,744	-	2,745
EXPENDITURES:				
Judicial system	-	390,163	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	2,538
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	-	390,163	-	2,538
Excess revenues (expenditures)	-	(312,419)	-	207
OTHER FINANCING SOURCES (USES):				
Transfer in	-	362,147	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	362,147	-	-
Net changes in fund balance	-	49,728	-	207
Fund balances - beginning	4,604	60,370	1,401	898
Fund balances - ending	\$ 4,604	\$ 110,098	\$ 1,401	\$ 1,105

See accompanying notes to financial statements.

Special Revenue Funds					Debt Service	
County Airport	Family Counseling	Criminal Justice Training	Alcohol Assessment	Jail Commissary	County Fair Debt	Correction Complex Debt
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
48,217	-	-	-	-	-	-
18,669	-	4,270	-	-	-	-
-	-	-	-	-	-	-
29,680	3,185	-	2,620	36,227	-	-
129,854	-	-	-	-	1	1,335
34,200	-	250	-	-	-	15
<u>260,620</u>	<u>3,185</u>	<u>4,520</u>	<u>2,620</u>	<u>36,227</u>	<u>1</u>	<u>1,350</u>
-	-	-	-	-	-	-
358,930	-	-	-	-	-	-
-	-	3,730	-	34,447	-	-
-	250	-	2,150	-	-	-
-	-	-	-	-	-	-
5,000	-	-	-	-	-	-
-	-	-	-	-	16,000	95,000
-	-	-	-	-	6,440	7,869
-	-	-	-	-	-	2,232
<u>363,930</u>	<u>250</u>	<u>3,730</u>	<u>2,150</u>	<u>34,447</u>	<u>22,440</u>	<u>105,101</u>
<u>(103,310)</u>	<u>2,935</u>	<u>790</u>	<u>470</u>	<u>1,780</u>	<u>(22,439)</u>	<u>(103,751)</u>
120,500	-	-	-	-	22,440	-
(34,000)	-	-	-	-	-	-
<u>86,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,440</u>	<u>-</u>
(16,810)	2,935	790	470	1,780	1	(103,751)
<u>98,736</u>	<u>12,899</u>	<u>3,576</u>	<u>22,144</u>	<u>2,917</u>	<u>-</u>	<u>117,037</u>
<u>\$ 81,926</u>	<u>\$ 15,834</u>	<u>\$ 4,366</u>	<u>\$ 22,614</u>	<u>\$ 4,697</u>	<u>\$ 1</u>	<u>\$ 13,286</u>

COUNTY OF DICKINSON, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2005

	Capital Projects	Permanent Funds		
	County Fair Project	Fontana Terminal Trust	Fumee Lake Trust	Library Trust
REVENUES:				
License and permits	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
State sources	-	-	-	-
Local sources	12,000	-	-	-
Charges for services	-	-	-	-
Interest and rentals	690	14,774	6,257	1,404
Other	-	-	1,603	12,963
Total revenues	12,690	14,774	7,860	14,367
EXPENDITURES:				
Judicial system	-	-	-	-
General government	-	20,955	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and culture	-	-	3,529	2,918
Capital outlay	60,043	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	60,043	20,955	3,529	2,918
Excess revenues (expenditures)	(47,353)	(6,181)	4,331	11,449
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	-	-
Transfer out	-	-	-	(10,518)
Total other financing sources (uses)	-	-	-	(10,518)
Net changes in fund balance	(47,353)	(6,181)	4,331	931
Fund balances - beginning	55,388	750,929	211,355	108,588
Fund balances - ending	\$ 8,035	\$ 744,748	\$ 215,686	\$ 109,519

See accompanying notes to financial statements.

Total Nonmajor Governmental Funds	
\$	171,782
	296,252
	307,529
	51,505
	643,061
	323,904
	<u>253,861</u>
	<u>2,047,894</u>
	499,541
	616,945
	487,020
	385,895
	880,422
	390,374
	111,000
	14,309
	<u>2,232</u>
	<u>3,387,738</u>
	<u>(1,339,844)</u>
	1,268,703
	<u>(66,958)</u>
	<u>1,201,745</u>
	(138,099)
	<u>2,008,749</u>
\$	<u><u>1,870,650</u></u>

COUNTY OF DICKINSON, MICHIGAN
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
December 31, 2005

	General Trust and Agency	Library Penal Fines	District Court Trust	Friend of Court Agency
ASSETS				
Cash and cash equivalents:				
Unrestricted	\$ 899,086	\$ 90,216	\$ 82,433	\$ 200
LIABILITIES				
Due to other funds	\$ 63,931	\$ -	\$ -	\$ -
Due to other units governmental units	77,983	-	-	-
Undistributed taxes	695,482	-	-	-
Other liabilities	61,690	90,216	82,433	200
Total liabilities	\$ 899,086	\$ 90,216	\$ 82,433	\$ 200

See accompanying notes to financial statements.

Sheriff		Totals	
Inmate Trust			
<u>\$ 567</u>		<u>\$ 1,072,502</u>	
\$ -		\$ 63,931	
-		77,983	
-		695,482	
<u>567</u>		<u>235,106</u>	
<u>\$ 567</u>		<u>\$ 1,072,502</u>	



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA
Christina A. Smigowski, CPA
Sarah Peloza, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Members of the Board of Commissioners
County of Dickinson
Iron Mountain, MI 49801

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Dickinson, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the County of Dickinson, Michigan's basic financial statements and have issued our report thereon dated March 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting – In planning and performing our audit, we considered the County of Dickinson, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters – As part of obtaining reasonable assurance about whether the County of Dickinson, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County of Dickinson, Michigan, in a separate letter dated March 30, 2006.

This report is intended solely for the information and use of management, others within the organization, County Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

March 30, 2006

COUNTY OF DICKINSON, MICHIGAN

REPORT TO MANAGEMENT

Year Ended December 31, 2005



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
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Sarah Peloza, CPA

REPORT TO MANAGEMENT

Members of the Board of Commissioners
County of Dickinson, Michigan

We have audited the financial statements of the County of Dickinson, Michigan for the year ended December 31, 2005, and have issued our reports thereon dated March 30, 2006. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the County of Dickinson, Michigan. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our auditing procedures and not to provide any assurance concerning such internal control structure.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County of Dickinson's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the County of Dickinson, Michigan are described in Note A of the financial statements.

We noted no transactions entered into by the County of Dickinson, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates. The most sensitive estimates affecting the financial statements were the useful lives of property and equipment for the purpose of calculating depreciation.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, do not have a significant effect on the financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements of the County of Dickinson, Michigan or a determination of the type auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Dickinson's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in the performance of our audit.

In planning and performing our audit of the financial statements of the County of Dickinson, Michigan, for the year ended December 31, 2005, we considered the County of Dickinson, Michigan's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated March 30, 2006, on the financial statements of the County of Dickinson, Michigan.

We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the use of members of the County Board, management of Dickinson County and federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.L.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

March 30, 2006

COUNTY OF DICKINSON, MICHIGAN

COMMENTS AND RECOMMENDATIONS

December 31, 2005

Sheriff Inmate Trust

Comment:

The inmate trust bank account is not being reconciled with the inmate payable accounts.

Recommendation:

Each month a reconciliation should be performed between the bank statement balance and the amount due to the inmates.

Management Response:

There is a great deal of fluctuation in the inmate trust account and the bank statements have only been partially reconciled. As of January 1, 2006, the Sheriffs office has a full-time accounts payable/payroll clerk who is being trained on the LEMS software program bank reconciliation module.

Recording Delinquent Personal Property Taxes

Comment:

Currently the County is not recording the amount of outstanding delinquent personal property taxes that are due to the County from other taxing units, in the general ledger.

Recommendation:

The County should record the amount of outstanding delinquent personal property taxes in the general ledger of each fund that has a tax levy. The County should maintain subsidiary ledgers which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

Management Response:

County management will review this recommendation with the appropriate county personnel to see if it is feasible to track and recorded delinquent personal property taxes.

COUNTY OF DICKINSON, MICHIGAN

COMMENTS AND RECOMMENDATIONS

December 31, 2005

Budget Non-Compliance

Comment:

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget. Expenditures were in excess of appropriations in the following funds:

	<u>Total Appropriation</u>	<u>Expenditures</u>	<u>Budget Variance</u>
Friend of Court	\$ 69,067	\$ 72,233	\$ (3,166)
Separation Pay	85,960	114,670	(28,710)
County Remonumentation	95,000	118,333	(23,333)
D.A.R.E. Program	17,420	17,696	(276)
County Airport	393,749	397,930	(4,181)

Deficit fund balances existed in the unreserved fund balance of the Civil Defense Fund and the County Remonumentation Fund of \$13,230 and \$298, respectively.

Recommendation:

We recommend that budgets be amended as necessary to prevent expenditures from exceeding appropriations. The County is also required to file a deficit elimination plan with the Michigan Department of Treasury.

Management Response:

Budgets are amended during the year to more accurately reflect revenues and expenditures. The Separation Pay fund reflects unanticipated year-end retirements. A greater effort will be made to refine year-end revenue and expenditure projections so that expenditures do not exceed authorized spending at year end.

COUNTY OF DICKINSON, MICHIGAN

COMMENTS AND RECOMMENDATIONS

December 31, 2005

GASB Statement 45 – Accounting and Financial Reporting By Employers for Post-Employment Benefits Other Than Pensions

Comment:

In June 2004, the GASB issued Statement 45, which establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes post-employment healthcare as well as other post-employment benefits such as life insurance.

The Statement is being implemented in three phases, with the County of Dickinson being required to implement the Statement for the year ended December 31, 2009. GASB Statement 45 is going to impact the future accounting of post-employment health insurance costs as it relates to the amount the County will be required to pay for these benefits. Beginning in 2009, the County will be required by governmental generally accepted accounting principles to pay the current cost of providing those benefits as well as an amount needed to fund a portion of the unfunded liability relating to the post-employment health benefit. The unfunded liability will be required to be actuarially determined and will be amortized over a period likely not to exceed thirty years. The methods used as part of Statement 45 are similar to those currently used to determine required contribution rates for defined benefit pension plans.

The County Board of Commissioners as well as County Management should begin to consider the impact of GASB Statement 45 prior to the required implementation date.